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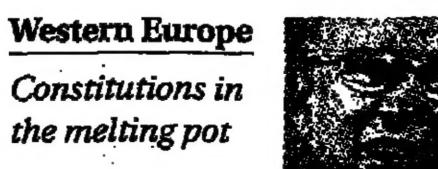
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The competitive edge

US industry cautiously regains its confidence



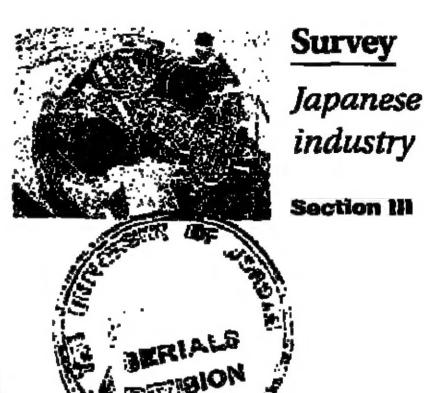
Business gurus

The global battle for kudos and big bucks



Leonid Kuchma

'Ukraine has no road back from the market



FINANCIAL TIMES

Europe's Business Newspaper

to keep reform team in cabinet

The core of Boris Yeltsin's economic reform team will remain in the Russian cabinet after an agreement with new prime minister. Viktor Chernomyrdin. Mr Yeltsin had cut short his China visit to ensure that reformers were not dismissed and that the cabinet retained its commitment to market reforms. However, Mr Chernomyrdin warned: "The market alone is not a panacea." Page 14

Waigel backs rate cut: Germany's finance minister advocated a cut in German interest rates to revive the economy, but said reduction in public spending would also be necessary. Page 14

Time Warner chief dies: Time Warner chairman and co-chief executive Steven Ross, who oversaw the 1989 merger of Warner Communications and Time Inc, died aged 65 after a battle against prostate cancer.

Honda and isuzu, Japanese carmakers, are to sell each other's vehicles, marking a further consolidation of Japan's car industry. Page 15

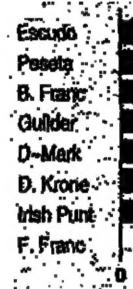
Serbian poll controversy: Allegations of foul play dogged presidential and parliamentary elections in Serbia in which President Slobodan Milosevic is fighting off a challenge from Yugoslav prime minister Milan Panic. Page 14

Troops seize Somali port: About 300 seaborne US and Belgian troops won control of the southern Somali port of Kismayu from gunmen who have pillaged food relief. Picture, Page 4

Blow to Taiper's rulers: Taiwanese voters dealt a blow to the ruling Kuomintang party in parliamentary elections, reducing the party's majority to 53 per cent after 43 years of virtually unchallenged rule. Page 4

European monetary system: The French franc remains at the bottom of the ERM in spite of the strength of France's economy. Selling last week was countered by intervention from the French central bank which, by the end of the week, seemed to have cooled the devaluation threat. However, most economists believe speculators will return in the new year to test the French government's resolve. Meanwhile, pressure on the Irish punt and Danish krone remains, although the krone received support from the Belgian and Dutch central banks. Currencies, Page 25

EMS: Grid December 18, 1992*



2.25% % 2% 3% 4% 5% 6% The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per

escudo operate with 6 per cent fluctuation bands. **Nedlloyd,** Dutch transport group, is poised for battle with its shareholder Thorsten Hagen. Mr Hagan was asked to quit the supervisory board after he urged the company to consider radical changes to its board selection process. Page 15

cent from the weakest currency in that part of

the system. The Spanish peseta and Portuguese

Lloyd's of London: The capital base at the insurance market is expected to shrink by at least 15 për cent next year to £8.5bn (\$13bn) because of heavy underwriting losses. Page 5

Both sides claim victory: A Singaporean by-election was described by the ruling People's Action party as a "resounding endorsement". but by the fledgling opposition as the start of two-party politics on the island. Page 4 White farms under guard: South African

police put an armed guard on farms adjoining Lesotho after a teenage girl died and five whites were wounded in a grenade attack. The assailants fled across the border. De Klerk purge, Page 4

UN peacekeepers released: Khmer Rouge guerrillas in Cambodia released 11 UN peacekeepers who had been kidnapped and threatened with execution in the fourth such incident this month. isosceles, the heavily indebted parent of the

UK Gateway food retail chain, is to appoint David Simons as group chief executive this week. His appointment should coincide with an agreement to defer interest payments. Page 15 **CBOT rejects trading facility:** Members

of the Chicago Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange, on the grounds that the \$150m proposal was too costly. Page 17

S Korean opposition divided: Opposition parties have been thrown into disarray by the victory of Kim Young-sam in Friday's presidential elections. Page 4; Editorial Comment, Page 12

Latin American inflation in check: Most of Latin America experienced strong growth and greater price stability during 1992, with the main exception of Brazil. Page 2

SME, Italian state-owned foods, catering and retailing slated for privatisation, sold control of its Adams sweets and candies subsidiary to Parke-Davis of the US. Page 17

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Yeltsin wins deal | No-fly zone to be enforced and new package of sanctions imposed

US and UK raise Bosnia stakes

By Philip Stephens, Political

agreed to increase the internajointly sponsored United Nations resolution to allow military enforcement of the no-fly zone over Bosnia and a package of new sanctions against Belgrade. But in a compromise between the hardline position of the US and the much more cautious British stance, Mr John Major, the prime minister, and outgoing president George Bush acknowledged that there would be a warning period before Serbian aircraft violating the zone would be shot down.

After weekend talks with Mr Major at Camp David, Mr Bush returned to Washington emphasising that the US shared Mr

rejects call

expulsions

By Hugh Carnegy in Jerusalem

ISRAEL rejected international

demands to reverse the deporta-

tion of 415 Palestinians trapped

in south Lebanon yesterday and

issued a sharp warning to the

government in Beirut not to

attempt to push them back into

As the deportees pledged to

remain in their makeshift camp

in no-man's land between the

Israeli and Lebanese armies until they can return home, Israeli

forces shot dead seven Palestin-

ians, including a nine-year old

girl, in the occupied West Bank

and Gaza Strip over the weekend.

The toll of six dead in Gaza on

Saturday was the highest in a single day for more than two

The Israeli cabinet yesterday reaffirmed the decision to deport

the alleged Islamic fundamental-

ist militants, taken after six sol-

diers had been killed in a recent

spate of armed attacks by the

contested a High Court petition

grounds that Israel was responsi-

ble for their fate in the absence of

a jurisdiction willing to accept

them. The court, which last

Wednesday gave the go-ahead for

the expulsions, is expected to

ment.

ing it be rescinded.

rule today.

Israeli-held territory.

Israei

to halt

Major's concern not to put at risk UK and other ground forces serving with the UN humanitarian operation in Bosnia. Washington was "very sensitive" to the threat careful that we do not needlessly put young men and women there in harm's way." Mr Bush said. Mr Bush and Mr Major also warned Serbia that it risks "isola-

In a joint statement issued by the two leaders, they said the aim of the resolution "would be to prevent flights taking place other than those specifically authorised by the United Nations." The statement acknowledged

tion for years to come".

that "many more lives will be lost this winter" if the humanitarian effort were halted. They also agreed that the UN presence in Macedonia and Kosovo should be stepped up to prevent the

British prime minister John Major has failed to win US presi-British Airways' bid for a 44 per between the two. British officials said they doubted the bid would be approved before its expiry date on Christmas Eve

spread of fighting in the regions. New sanctions against Serbia could include initially the severing of postal and communications links and might also lead to "closing the borders and complete diplomatic isolation for some years to come."

Background, Page 2

Senior US and UK officials said they expected the UN resolution providing for military enforcement should be agreed within a few days, probably before Christ-

mas. Mr Bush, who spoke yesterday morning to Mr Boris Yeltsin, the Russian president, said he was confident Moscow would not

of the warning period before Serbian aircraft would risk being shot down would be decided at the UN. Mr Major dismissed as without "credibility" reports that it had been decided the period would last for 15 days. One suggestion was that it might run until the inauguration of Bill Clinton on January 20.

Mr Major's reluctance to see any escalation in the military conflict in Bosnia was reflected in the refusal of his officials to discuss the terms under which the no-fly zone would operate. He said: "We've got a lot of discussing to do before we determine how the deadline is going to

be enforced. We agreed that it is necessary to enforce the no-fly zone. There is more than one way

the US secretary of state suggested after the Camp David talks that the US favoured still more decisive action. He indicated that the warning period would allow western ground forces to prepare for possible Serbian retaliation. The US has also drawn up contingency plans to bomb Serbian airports.

Mr Major said that the "paramount importance" of retaining the security of ground forces and aid workers should underpin the UN resolution. He hopes that the deterrent effect will keep Serbian aircraft grounded.

End of an era, Page 2

Japan cuts growth forecast to 1.6%

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But Mr Lawrence Eagleburger, | By Robert Thomson in Tokyo

THE Japanese government yesterday belatedly revised down its growth forecast for the current fiscal year from 3.5 per cent to 1.6 per cent, but announced a target of 3.3 per cent growth in gross national product next year.

A cabinet meeting approved the official estimates, prepared by Japan's Economic Planning Agency, which also revised upwards the trade surplus estimate from \$96.5bn to \$136bn for the current year to the end of March.

For next year, the trade account surplus was forecast at \$135bn, giving the US and the European Community scope to make complaints that the Japanese market remains partly closed to their products and that Tokyo has not done enough to stimulate domestic demand.

The EPA has been attacked by business organisations for "overoptimistic" forecasts which slowed the government response to the decline in the economy. but the agency is confident that a recovery will gather strength next year. It does, however, decline to predict exactly when the recovery will begin.

Mr Haruhito Arai, senior assistant to the EPA's director, conceded that the forecast for next year "is, in a sense, optimistic", but said it was justified because capital spending would rise by an estimated 2.4 per cent, after a fall of 3.8 per cent this year.

The importance of export growth in this year's expansion of GNP is an embarrassment for the government, which has a formal policy of encouraging domestic demand to reduce the trade surplus. For the first time since 1980, growth this year in external demand (0.8 per cent) is expected to exceed that of internal demand (0.7 per cent) as a contributor to the growth of gross national

Japan's current account surplus this fiscal year is estimated at \$116.5bn, up from a previously modest estimate of \$71bn, while the surplus next year is forecast to be a still imposing \$115.5bn, under the influence of the large trade surplus. "The issue at hand is how to

shift smoothly to a sustainable Continued on Page 14

Serbs go to the polls, Page 14

Palestinians expelled by Israel and barred from entering Lebanon wash their clothes in an icy stream in no man's land

insistence that they should return to Israel.

He added: "There is absolutely Hamas Islamic Resistance Moveno way we will change our posi-Israeli government ministers tion, Never. Ever. Lebanon is not a dumping ground." rejected a unanimous resolution

Mr Yitzhak Rabin, his Israeli passed by the United Nations counterpart, replied by saying Security Council on Friday conthe deportees were now the demning the action and demandresponsibility of Beirut. The government also strongly He continued: "It will be a mis-

take to try to push them back into our area. It will be a major by civil rights lawyers seeking a reversal of the expulsions on the The government has won

strong public backing in Israel for the expulsions, which covered many academics and professionals which the security forces alleged were the "brains" behind Government officials, however,

An angry stand-off has developed between Israel and Lebanon acknowledged that the plight of the deportees, who are huddled over the deportees. Mr Rafik al-Hariri, the Lebanese Prime Minisin tents in freezing winter conditer, reiterated his government's tions in the Lebanese hills, had

caused serious damage to what had previously been strong international support for Mr Rabin, particularly in the US and

Fears that the deportations

could halt Middle East peace talks were underscored by moves by the Palestine Liberation Organisation, which backs the talks, to reconcile its differences with Hamas, which opposes them, at a proposed meeting in Tunis this week. Israel says its action against Hamas is meant to strengthen those Palestinians backing the peace talks, but the PLO says it will not return to the talks unless Israel reverses the

deportations. Israeli forces kept up a rigid security regime in the occupied territories over the weekend to try to contain protests. The killings in Gaza occured when a week-long curfew was lifted for

two hours in Khan Younis refugee camp. Much of Gaza remains under curiew. The strip and most of the West Bank is sealed off from Israel

Mr Rabin will today meet the

leader of Tsomet, a small farright party, to discuss its request to entry into the Labour-led coalition. The right-wing opposition parties all applauded the deporta-

Independent French central bank proposed by opposition

By William Dawkins in Paris

FRANCE'S centre-right UDF party will put forward plans early next year to grant independence to the French central bank, the strongest indication yet of the French opposition's commitment to the defence of the embattled franc.

Mr Valéry Giscard d'Estaing, former French president and leader of the UDF, the smaller of the two opposition parties, told Les Echos newspaper that he had asked his party to consider a proposed law in the national assembly early in the year. It would be ready for debate straight after the end of March parliamentary election, which the rightwing

alliance of the UDF and Gaullist RPR is expected to win. The proposal would give the Banque de France independent status similar to the German Bundesbank's, which is a factor

in the D-Mark's strength. It could be one of the first pieces of legislation by the alliance, which opinion polls suggest will win by a wide margin. The move would put France well in advance of the timetable of the Maastricht treaty on European union, which - if applied - would make central banks independent some

time between January 1994 and

the proposal and said it count-

Economic analysts welcomed

traders that the opposition would on winning the election devalue or float the franc, to pave the way for a drop in interest rates to relaunch the sluggish economy. "The clear commitment to a strong currency and central bank independence from a key opposi-

tion figure is extremely important." said Paribas Capital Mar-"This confirms that the mainstream political consensus in France has remained centred on a monetary policy which aims for

tion," it added. Mr Giscard d'Estaing maintained the move "would be, in

a strong currency and low infla-

Continued on Page 14

ered the theory held by some

CONTENTS

Markets

Japan Section III

* THE FINANCIAL TIMES LIMITED 1992 No 31,945 Week No 52 LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

THE CLASS DIFFERENCE THE CLASS SYSTEM NEVER BE THE SAME AGAIN. totally new class system is about to be revealed. It will wake up the airline industry. And send business travellers to sleep. You'll soon realise what a difference air inches, as opposed to air miles, can make. You'll appreciate our new slant on comfort, and view films in a more personal and civilized way. So sit back and wait for news of a class system that will change the entire concept of business travel. Continental Airlines

One Airline Can Make A Difference."

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Washington warns of threat to bilateral links

Ukraine assures US on Start ratification

By Chrystia Freeland in Klev

THE Ukrainian government has given the US State Department assurances that parliament will ratify the Start treaty on January 14 or 15 when the legislature returns from its holiday break, officials said in Kiev over the weekend. The treaty, which was agreed by the US and the former Soviet Union, covers reductions in strategic nuclear

Russia, Kazakhstan and Belarus have already ratified the accord. Ukraine, and the 176 inter-continental hallistic missiles on its territory, is the last important hurdle to full ratification of the pact.

Kiev has made a commitment in principle to becoming a non-nuclear state and has transferred its tactical nuclear weapons to Russia, where they are to be dismantled.

The Ukrainian pledge follows intense pressure from Mr Law-

By Lionei Barber in Brussels

THE EC will today consider

plans to strengthen its arsenal

of trade weapons, including

anti-dumping measures and

quotas, in preparation for the

official launch of the single

The plans have drawn flerce

protests from European toy.

textile and footwear importers,

who fear a crackdown against

cheap imports from China,

The plans - which some

Brussels lawyers describe as

the most far-reaching trade

policy revisions since the anti-

dumping rule was adopted in

1968 - are to be discussed at a

meeting of EC foreign and

trade ministers in Brussels

According to the European

Commission, the proposals are

needed to streamline trade

rules and "harmonise" quotas

on non-EC goods among mem-

1993, when the single market

comes into force. They include

several far-reaching measures. • The Commission wants to

reverse policy by requiring that duties be overturned by a

qualified majority. At present, free-traders such as Britain

and Germany need only mus-

ter a blocking minority.

ber states in time for January

Vietnam and North Korea.

market in the new year.

EC plans 1993

trade measures

THE US and Russia have made "real progress" in talks on additional cuts in long-range nuclear weapons but are not yet ready to sign a Start-2 treaty, President George Bush said yesterday, Reuter reports from Washington.

Russian President Boris Yeltsin surprised officials in Washington last week when he said a Start-2 agreement was in hand and would be signed before Mr Bush handed over power to President-elect Bill Clinton next month.

rence Eagleburger, the US secretary of state, who has warned Kiev that unless it ratifles the treaty soon bilateral relations with the US could be threatened. Mr Eagleburger said in Washington yesterday that the US was "getting more than a little bit perturbed" by the Ukrainian reluctance to live up to its early promises to get rid of its nuclear weapons.

• The introduction of "Com-

defensive trade measures.

So far, member states have

divided along familiar lines.

with the UK and Germany set

against southern members

such as Spain and Italy, which

are worrled that the single

market could undermine EC

based spokesman for European

footwear importers and retail-

ers, said the measures would

cut low-priced footwear from

China and other target coun-

tries by 50 per cent at the

expense of the consumer. It

would also leave the Commis-

Today's meeting will also

discuss a possible compromise

over EC plans to provide

up to Ecu500m (£404.5m) fund

ing for promoting high-defini-

tion television to the European

Mr Peter Bahr, a Brussels-

non-EC states.

trade policy.

However, there are signs in Kiev that Mr Eagleburger's tough approach could be counter-productive and that the Ukrainian government's pledge may not be honoured.

The parliament has been voting with increasing independence lately, suggesting that no Ukrainian leader is in a position to guarantee parliamentary ratification of the treaty on any specific date. In a statement last week,

President Leonid Kravchuk stressed that although Ukraine supported the Start treaty in principle, the pact was a serious agreement which parliament should study thoroughly before ratification. Mr Kravchuk pointed out

that the US Senate studied the Start treaty for more than a year before approving it. Moreover, the allegedly heavy-handed attitude of the outgoing Bush team at the State Department has angered top Ukrainian officials.

NEWS IN BRIEF

Argentina

sees steady

Brazil to target growth in policy shift starting with agri-industry and The ministers agreed a \$4bn ing, having persuaded Presi-

By Christina Lamb In Rio de Janeiro

THE Brazilian government has decided to give a return to growth priority over combating inflation, in a clear policy shift announced after a two-day ministerial meeting.

The meeting, called to settle on an economic policy and end instability, ruled out the idea of an economic shock plan widely rumoured since last week's suspension of the privatisation programme and resignation of the economy minis-

government works programme to stimulate production and employment, and a gradual lowering of interest rates. "Under this government the

population will not wake up one morning to find everything has been changed by some arbitrary act," stressed Mr Paulo Haddad, the planning minister. "There will be no economic shocks or measures such as incomes and prices policy, price freezes, dollarisation or confiscation of savings." Mr Haddad emerged

strengthened from the meet-

dent Itamar Franco against a sharp cut in interest rates. He is also expected to take on the economy portfolio. The discussions contrasted

starkly with those of the previous administration of President Fernando Collor which concentrated on privatisation and lifting trade barriers. Instead the Franco government is focusing on state intervention to build up the internal market. "The number one priority of this government is programmes to relieve unemployment caused by recession,'

explained Mr Haddad. "All our actions will be directed to relieving the absolute poverty in which 45m Brazilians live." As a first step the govern-ment will invest Cr44,200bn (\$3.95bn) in road and house

building projects next year

with the aim of creating lm

The government is also introducing differentiated public sector tariffs, keeping down prices for low users of gas, electricity, postage and tele-

Next year it will begin a series of sectoral meetings.

vehicle makers, to stimulate investment and production in return for government credit and reduced taxes. It is also putting together an export pol-icy with the aim of increasing exports from \$36bn to \$50bn by the end of next year.
 The Brazilian trade surplus

for last month was \$1.56bn, the highest in 1992, giving an accumulated surplus for the year so far of \$14.37bn. This is 45.5 per cent up on last year. The main increase has been in sales to Argentina which, at \$2.75bn. have more than doubled.

US policy will soon be shaped by a leader the UK premier does not know

End of an era as Major leaves Washington

By Philip Stephens, Political Editor, in Washington

IT HAS not been Mr John Major's happiest foreign trip. His farewell to outgoing President George Bush on a rainswept White House lawn yesterday marked the end of more than a decade of reassurance for Britain's Conservative lead-

The visiting prime minister could claim one or two modest achievements. Mr Bush agreed that the US and Europe should set a January 15 deadline for completion of the stalled Uruguay Round of trade talks in Geneva.

The president also softened the rhetoric of US policy on the military enforcement of the nofly zone over Bosnia. The US, he said, was as concerned about possible retaliation against British ground troops as it would be if US forces were at risk.

A new UN resolution to enforce Serbian compliance with the zone will be passed, probably this week, but the implication is that US fighters will not immediately be given a free hand to shoot down Serbian aircraft. The compromise marked as much Mr Major probably could hope for.

Reports that his American trip - which included an EC-Canada summit in Ottawa late last week – has left Mr Major

should not be taken too seriously. The prime minister is tired after a difficult three months, but no more than that. But a friendly weekend in Camp David with Mr Bush could not let Mr Major escape the reality that from now on American policy will be shaped

Politicians and diplomats on both sides of the Atlantic insist that what remains of the special relationship will survive under President Bill Clinton. But for Mr Major it will not be the same.

by a leader of whom he knows

For 12 years the occupant of 10 Downing Street could rely on a kindred ideological spirit in the White House. Now he must deal with a president whose election symbolised a break with the right-wing certainties of the 1980s.

The prime minister did not have a chance to meet Mr Clinton. It was not a deliberate snub. The president-elect, still based in Little Rock, is pre-occupled with shaping his cabinet. Instead the two men settled for a 25-minute telephone call on Friday before Mr Major left for Camp David.

Yesterday, Vice-president elect Al Gore and a number of other high-ranking Democrats joined Mr Major for lunch at the British embassy. Downing Street went to great pains to ensure the cameras were on

John Major and George Bush after concluding a Joint statement in Washington yesterday prime minister in early February after his inauguration next

Senior officials travelling with Mr Major emphasised that Mr Clinton had been at pains to emphasise continuity in US foreign policy. He had been sympathetic to Mr Major's grave doubts about

the risks to British forces of military enforcement of the nofly zone. He had offered his backing to the EC agreement with Mr Bush to give new impetus to the Gatt trade talks in Geneva.

On the basis of his telephone conversation and of extensive briefing by British diplomats hand. Mr Clinton will meet the in Washington, Mr Major was

said to be "optimistic" about the relationship. Aides pointed out that the two men are in the same generation of post-cold war politicians.

More discreetly they added that Mr Major's centre-left position in the Conservative party leaves him not that far distant in the political spectrum from the Clinton brand of

But there are obvious uncertainties. The most senior members of the British entourage pointed out that Mr Clinton's policy statements had so far been deliberately circumspect. The prime minister was pleased with what Mr Clinton had said publicly and privately

but was uneasy also about what he had not said. Mr Major will miss the personal rapport that comes with a shared ideology. Mr Clinton is no left-winger, but his rhetoric is not that of a natural

He will have to be persuaded that maintaining a unique link with Britain should rank anywhere near the top of a list of priorities which is already crammed with domestic issues. It was perhaps a sign of the times that before the two leaders returned to Washington the most important US newspapers did not carry a word yesterday of Mr Major's Camp David

believer in unfettered markets.

Latin American inflation in check

By Lesile Crawford in Santiago

MOST OF Latin America experienced strong growth and greater price stability during 1992, with the main exception of Brazil, which continues to buck the regional trend towards recovery, the United Nation's Economic Commission for Latin America and the Caribbean said yesterday.

Six countries - Argentina, Chile. Panama, the Dominican Republic, Uruguay and Venezuela - achieved real growth rates of 6 per cent or more. Brazil, Barbados, Peru and Haiti suffered downturns. The depth of the Brazilian

recession acted as a drag on the performance of the region as a whole. ECLAC estimated

regional GDP to have grown by 2.4 per cent in 1992, compared with 3.5 per cent last year. Without Brazil, 1992 growth

was 4.3 per cent.

Six countries reduced inflation to single digits; another 16 countries kept consumer price rises below 20 per cent. Only Brazil continued to struggle with triple-digit inflation. Mr Gert Rosenthal, ECLAC's

secretary general, said the region's economic progress was "no mean feat" considering the recession and uncertainty gripping Latin America's trading partners in the industrialised world. He noted that regional exports – totalling \$126bn (£82.8bn) in 1992 - continued to grow despite declining terms of trade for Latin America's main commodities.

the single market will bring

trouble. They see more crime,

more bureaucracy, more uncer-

tainty and, at worst, redun-

dancy for those villagers who

for years have made their liv-

That Schengen, squeezed

into the south-eastern corner

growth munity quotas" in some sensitive sectors such as footwear to replace quotas imposed on A Commission proposal to allow the lower Court of First Instance to deal with trade complaints, following a plea

ARGENTINA should settle down to sustained, investment-led growth with reasonably low inflation and improving external accounts in 1993. from an overworked European economy minister Domingo Court of Justice. Brussels Cavallo said at the weekend argues the shift could add to John Barham reports from time taken before imposing | Buenos Aires.

Mr Cavallo told the Financial Times: "In 1993 we expect economic growth to continue at a rate of 6-7 per cent, driven by supply-side improvements through investments and productivity gains." He said growth of 8.5 per

cent in 1991 and 9 per cent this year was led by a consumer spending spree that was now giving way to more sustainable expansion. He forecast a marked 40 per

cent increase in investment that should bring the investment rate to 21-22 per cent of GDP, "more than enough to sion in the driving seat on justify his growth targets".

Khmer Rouge frees hostages

Khmer Rouge guerrillas yesterday freed 11 UN peacekeepers they had held hostage for two days, a UN spokesman said, Reuter reports from Phnom Penh.

Cubans' poll choice limited

Cubans voted yesterday for local government representatives in the first stage of what the island's government says is a reform of the electoral process that will lead to direct parliamentary elections in three months, writes Canute James. All 28,000 candidates for the 14,000 municipal seats at stake were from the ruling Communist party.

Italy joins frigate project

Italy yesterday joined an Anglo-French project to design and build a new generation of new air defence frigates. The new ships should replace a quarter of Britain's Royal Navy, starting in 2002, writes Daniel Green.

BA sends lobbyists into a spin The ladies who run the public records room Nikki Tait and Daniel Green on a controversial airline deal

at the US Department of Transportation. For them the decision - expected either today or early this week - on whether British Airways should be allowed to go ahead with its controversial \$750m (£493.4m) investment in Arlington-based USAir cannot come a

moment too soon. Since Mr Andrew Card, the US transport secretary, bowed to pressure from the "big three" US carriers opposing the deal and agreed to create a public file on the subject, letters and submissions have flooded in. The result illustrates the intensity with which the lobbying game is played in

Canvassers have pitched their efforts at the highest level. At the latest count USAir has secured support from 22 senators and more than 100 representatives - an eclectic group ranging on the Democrat side from Barbara Mikulski to elder statesmen like Howard Metzenbaum, and such prominent Republicans as Arlen Specter and John Danforth.

Not to be outdone, American

Airlines - one of the deal's most vociferous opponents claims to have 23 senators on board, along with Presidentelect Bill Clinton and another 95 congressmen. This is just the beginning. A

trawl by the carriers of their respective regional bases has yielded a mountain of mail from chambers of commerce, municipal and state organisations, and governors' offices. The weary souls at the DoT

have not even bothered to file the mountain of public correspondence on the subject. "You want to look at the letters?" asks an incredulous assistant, pointing to the nether reaches of the docket-room, where a dozen bulging boxes are

- All this, of course, is an impressive adjunct to the formal filings and responses from various interested parties, invariably employing law firms

and using any number of inventive arguments to support their cases.

BA's propaganda effort in the US has seemed restrained, even tranquil, by comparison. It had little choice. The carrier was frightened of giving the impression it was a senior partner telling USAir what to do. That could have opened it to more charges of wanting to run USAir, rather than merely finding a team mate.

Behind the scenes things were busy nevertheless. Even before the announcement of the deal in July, negotiators from both companies discussed how the propaganda war would be waged. After the announcement there was a rapid frontal assault on government and its officials in London. Top board directors, including chief executive Sir Colin Marshall, regularly briefed both the UK

Department of Transport and

the prime minister's office.
Staff were drafted in from corporate affairs, government strategy, public relations, pub-lic affairs and investor relations. With BA board members, and through their USAir opposite numbers, they lobbied congressmen and shareholders. A lobbyist was hired in Washington and public relations giant Daniel J. Edelman was

engaged. Today the British airline Washington. "They [American, United and Delta) swamped the market completely. They bought up almost every lobbyist around." Still, this did not deter BA and USAir executives from touring the country to talk to editorial boards of

Their targets were the New York Times, Washington Post, USA Today and the Wall Street Journal as well as newspapers in Chicago, Dallas and Atlanta. the home cities of United American and Delta airlines. "The majority were sympathetic," said one senior BA adviser. "But you don't win

Czechs approve first budget

By Vincent Boland in Prague

THE FIRST budget of the fledgling Czech republic, approved by the Czech National Council (parliament) on Saturday, forecasts economic growth of 1-3 per cent in 1993 and inflation of up to complains it was outgunned in | 17 per cent, sharply higher than the current 11 per cent because of the imposition of a series of new taxes, including VAT, from January 1.

The balanced budget is based on revenue and expenditure both equalling Kcs342bn (\$12bn). VAT is expected to raise Kcs 88bn, with income taxes producing Kcs87.2bn and social insurance payments contributing Kcs97bn.

Some Kcs255bn of expenditure has been earmarked for social welfare spending, suggesting the government is preparing for a substantial rise in unemployment from its current 2.5 per cent. The budget also includes a payment of Kcs24bn on the republic's Kcs115.5bn of foreign debt, which is its share of the Czechoslovak federation's

Schengen old guard faces change with trepidation



locked, but is not yet empty. Inside, Mr EUROPEAN René Zimmer, MARKET the Luxembourg village's last customs and immigration chief, is poring over the new European Community VAT

regulations. These are the rules which in a few days should open the frontier and close the border post for good, sending Mr Zimmer. 57. to a well-earned pre-retirement posting in Esch-sur-

Alzette, further west. Mr Zimmer is pleased. He has spent 17 of the last 25 years manning the frontier with Germany and France, but he is not a Schengen man. Esch-sur-Alzette is closer to his home. In the Café International.

however, opposite the bridge,

proprietor Ernest Schemel, 73.

of Luxembourg, should fear the lifting of border controls is It was at Schengen more accurately, in a boat moored beneath the bridge that France, Germany and the Benelux countries signed the Schengen agreement in June

ing from the frontier.

The five countries, now swojien to nine, committed them selves to moving ahead of the rest of the EC by lifting controls on people by January 1

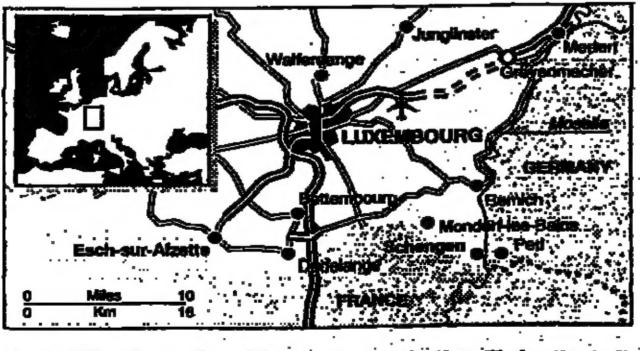
1990 which was supposed to

herald the barrier-free Commu-

Moselle river his son Guy and a handful of 1993. Only Britain, Denmark at Schengen is Schengen's 350 locals believe and Ireland have not signed. The agreement has already taken effect in Schengen itself. Regular frontier controls on the Luxembourg side of the Moselle disappeared earlier this year. In Germany and France a handful of uniformed officials are still carrying out desultory checks.

Villagers are not nostalgic about the old days of border controls. They are hard-headed enough to realise that change is inevitable. But the concerns of those

who benefit from Schengen's privileged border status are easy to understand. At weekends it is difficult to cross the main street for queues of German and French cars. The visitors do not come to Schengen principally for its pretty chateau and church, or even for its vineyards, sweeping down to the river from the



steep hills above the village. They come for its half dozen petrol stations, all of them exploiting the excise loophole which means that fuel is LFr10 (19 pence) a litre cheaper here. Alcohol and cigarettes are also a better buy in Luxem-

As it turns out Schengen has little to fear from the immediate impact of single-market tax

harmonisation. Under the indirect tax deal done with its EC partners, the Grand Duchy will

guard most of its excise advanages at least until 1995. Mr Ernest Legill, the village's échevin, or local councillor, and a wine-grower like

most inhabitants, is generally optimistic about what will happen after January I. But like many older yillagers he cannot disguise a visceral ders. He remembers the second world war, when the Schengen bridge was one of the first to be destroyed as the Germans advanced west. Similar concerns are voiced less diplomatically in the Café International over glasses of

A local haulier, preferring to remain anonymous, points out that now there are fewer customs and immigrations officials on the bridge, the number of burglaries in the village has increased.

the local white wine.

Mr Schemel and his family also fear the loss of their livelihood. Since 1959 they have worked as customs agents employed by exporters and importers to deal with tax forms at borders. Those forms should disappear on December 31, replaced by an electronic system. But Schemen is where

the smooth-running computer-ised dream of a thousand EC tax officials breaks down. Local pessimism reflects wider gloom about the goal of open frontiers. Growing evidence suggests that companies across the EC are not ready for the complex new VAT system. Even the ideals of the Schengen accord have soured in the

last few months.

Ministers from the nine countries met in Madrid this week and agreed on a common. visa for the free-travel area. But their January deadline for completely open borders has slipped at least until the middle of the year. Passport checks are likely to remain in place well beyond that date in

the UK. Denmark and Ireland. Such sluggishness will not prevent Mr Zimmer clearing his office on December 31 and leaving the Schengen border crossing unmanned for probably the first time since the Grand Duchy came into being in 1839.

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War of advice may break out in Russia

Foreign advisers in Moscow could soon find themselves unwanted, writes John Lloyd

THE FOREIGN economic experts who have played a big role in advising the Russian government on the reforms of the past year have no idea whether they will still be advising next year, when the government and the policies of Mr Viktor Chernomyrdin, the new Russian prime minister. will be clear.

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For some, including the team of Professor Jeffrey Sachs and Mr David Lipton from Harvard University, it is already clear that Mr Chernomyrdin is a threat to the reforms on which they advised.

Mr Lipton says: "It's clear from what Prime Minister Chernomyrdin has already said on the need to support industry, and heavy industry in particular, that he has no regard nomic transformation, no regard for consumers, and no respect for markets."

However, the Sachs/Lipton team, with its score of assistants scattered throughout the bureaucracy, will remain in place for now.

So will Mr Richard Layard, the London School of Economics professor who works closely with Mr Sergei Vassiliev, head of the Economic Reform Centre. Prof Layard said that he had no plans to cease work.



Delegates of the Democratic Russia Movement voting yesterday on whether to support Mr Yeltsin. The Russian foreign minister. Mr Andrel Kozyrev, addressed the congress, warning that Russia was in danger of returning to the concept of a "besieged fortress" in its foreign policy

and Mr Vassiliev, a close associate of former Prime Minister Yegor Gaidar, said that "we'll carry on as long as we feel it useful to do so". Nevertheless, the privatisation programme,

which is the biggest reform programme and employs the bulk of the foreign expertise, is now on hold.

programme to see whether he would support it. Due to be discussed by Par-The state privatisation comliament last week, it was taken mittee, headed by Mr Anatoly

off the agenda while the new

prime minister read next year's

Chubais, the deputy prime minister, is now developing an ambitious programme of mass privatisation to begin in January, leaning heavily on foreign essistence.

The International Finance Corporation, the World Bank division which worked on the country's privatisation throughout the year, is waiting to see whether the programme will get under way on sched-

This is also true of the team from Credit Suisse First Boston, which is charged with bringing the first companies to market in December.

"It's business as usual for now," said Mr Stephen Jennings, a CSFB executive based in Moscow.

However, it is clear that the working flat out on next year's programme, much more aware than previously of the limited window of opportunity open to them to make privatisation irreversible.

The US merchant bank, Goldman Sachs, hired in February by the government to assist in finding inward investment, is now unsure if its services will still be required. "We were able to work essentially because of our link with Yegor Gaidar," says Mr Bill Crowley,

head of the GS team head of the GS team in Moscow. "Our main contact point is the Agency for International Co-operation and Development under (deputy prime minister) Alexander Shokhin and it's not clear how that will now work."

The Ford Foundation, one of the biggest funders of individuals in Moscow through its \$7m (£4.6m) annual fund for the former communist states of eastern Europe, is one of the many private and government institutions now debating whether to continue funding market-oriented programmes which may no longer be welcomed by government officials.

Others include the British Know-How Fund and US Aid. Mr Chernomyrdin said during his first press conference eign advisers should continue their work "and Russian ones too".

He has already put feelers out to Mr Nikolai Petrakov, the economist who served as former Soviet President Mikhail Gorbachev's adviser in 1989. At the same time, Mr Boris Yeltsin, the Russian president has appointed as his economic adviser none other than Mr Yegor Gaidar.

A war of advice clearly looms.

Six companies drop tenders

Siberian copper race loses appeal

By Leyla Boulton in Moscow

A RACE to develop Russia's biggest copper deposit has been reduced to just two contenders after six large western companies dropped out of an international tender for lack of time to complete proposals by a deadline which expired last

The only two companies now

formally in the race are Australia's BHP and the Udokan Mining Company (UMC), considered the only "Russian" participant although it is indirectly half-owned by two little-known foreign compamies. Its lack of experience of a big mining project is being compensated for by advice from Fluor Daniel, the San Francisco-based consultancy which puts together international mining projects and has already submitted a detailed feasibility study for the project. In a sign of budding Russian

co-operation with China, the UMC has also arranged to sell the copper to the Chinese, who are just across the border from the deposit in the eastern Siberian region of Chita. UMC's confidence that it will get the contract also rests on a

definite shift by the authorities towards helping heavy industry find profitable new civilian markets after decades of catering to the military establish-

Mr Boris Yatskevich, deputy chairman of Russia's state geology committee, who declined to confirm or deny which companies were taking part, said the tender committee would produce its conclusions by January 15, leaving the final decision to be taken by the Russian president and government. "Eight companies have expressed an interest in the project. Proposals have reached the tender committee.

But other sources confirmed that RTZ, Phelps Dodge, Place: Dome, Cyprus Mining, Mitsubishi and Marubeni, despite being registered as tender participants, had dropped out of the hugely complex project which requires building not just a mine but lots of infrastructure to operate it. An executive for one of the companies cited a lack of time to prepare properly since the tender was declared this summer, and said that another complicating factor was the metallurgical specificities of the ore.

Rome set to give details of sell-off

By Robert Graham in Rome

THE Italian government is expected this week to release full details of its privatisation programme, after the broad endorsement last week from the two houses of parliament.

Approval was given by the chamber of deputies on Wednesday and the senate on Friday to a programme which aims to raise L27,000bn (£12.8bn) for the treasury between 1993 and 1995. In addition IRI, the state holding company, is expected to raise some L12,000bn from its own divestments which will go to recapi-

talise and repay debts. Parliamentary backing came despite powerful lobbying by Christian Democrat and Socialist politicians on their own coalition to water down the scheme so that the parties could retain control over a large state-controlled economy. "This is an important step for-

However, the official pointed out that parliament had laid down a number of guidelines which the government had to take into consideration. Mr Piero Barucci, the treasury minister, who is master-minding privatisation with Mr Giuliano Amato, the prime minister, pledged a definite plan for privatisation would be ready before the end of the year.

The broad privatisation proposals were submitted to parliament a month ago on a consultative basis. One of the main recommendations is that privatisation be carried out under the aegis of the prime minister and a committee of three ministers (treasury, budget and industry) who would also liaise with a new ministry of production. The latter is an attempt by parliament to force the government to include an industrial strategy in the privatisation process and not simply sell off to raise money for the ward," a treasury official said. impoverished treasury.

OECD sees Italy's growth rate rising

By Edward Balls

ITALIAN economic growth will begin to accelerate towards the end of next year if the government succeeds in bringing Italy's fiscal deficit under control while keeping the lid on wage inflation, the OECD said yesterday.

Restoring confidence in the lira, by ensuring that the government's fiscal austerity measures are fully implemented, is the route to economic growth, the Paris-based organisation says in a cautiously optimistic

The OECD expects Italy's economic growth rate to slip to 0.8 per cent next year. But an export- and investment-led recovery should deliver a 1.7 per cent growth rate in 1994. The forecast depends on the government overcoming

domestic resistance to budget cuts in order to reduce the fiscal deficit to 10.2 per cent of gross domestic product in 1993. A successful budget consolidation should boost confidence, enable the lira to re-enter the ERM and reduce Italian inter-

in line with expected cuts in German interest rates, the report says. Tight monetary conditions, tax increases, the abolition of wage indexation and a freeze on public sector pay until the end of 1993, should all dampen the impact of the lira's recent

est rates over the coming year

devaluation on inflation, the OECD says. Exports are expected to grow by 6.1 per cent next year and 5.9 per cent in 1994, outstripping the growth in imports and pushing the trade account into a modest surplus in 1994.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY

NATIONAL ENVIRONMENTAL GROUP, INC., a Maryland Corporation, ESKEY, INC., a Nevada Corporation, and YFC

Antilles Corporation,

Chapter 11 Case Nos.92-36657 through

92-36659 (WHG) NOTICE OF DISTRIBUTION

INTERNATIONAL, N.V., a Netherlands UNDER CONFIRMED CHAPTER 11 PLAN TO ALL CREDITORS AND EQUITY SECURITY HOLDERS OF THE

ABOVE DEBTORS: PLEASE TAKE NOTICE that by Order of the United States Bankruptcy Court dated December 4, 1992, the Debtors' Joing Plan of Reorganization dated October 20, 1992 (the "Pian") has been confirmed and the Debtors have elected to commence distributions pursuant to Article 5 of the Plan on or about December

PLEASE TAKE FURTHER NOTICE that pursuant to the Indenture dated as of May 17, 1983, as amended, between YFC and Bankers Trust Company, as Indenture Trustee and 1127 and 28 of the Confirmation Order, holders of YPC International, N.V. 7-1/2% Convertible Subordinated Bonds due 1998 shall exchange their debt instruments in accordance with Article 6.2 of the Plan at the office of Bankers Trust Company, Four Albamy Street, New York, New York 10006, Attre Stanley Burg, Corporate Trust & Agency Group - 4th Floor. Dated: December 11, 1992

New Brunswick, New Jersey CRUMMY, DEL DEO, DOLAN, GRIFFINGER & VECCIHONE A Professional Corporation One Riverfront Plaza Newark, New Jersey 07102-5497 (201) 596-4500 Karen A. Giannelli, Esq. Counsel to Debtors



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Poll blow for Taipei rulers

By Simon Davies in Talpei

President Lee Teng-hui's ruling Kuomintang party in parliamentary elections on Saturday. heralding an era of compro-mise and accountability for the party which has governed the island virtually unchallenged for 43 years.

The official KMT candidates, primarily Taiwanese-born liberal supporters of Mr Lee, took only 53 per cent of the vote. compared with 71 per cent in elections last year for the National Assembly, a separate body whose sole tasks are to select the president and amend the constitution.

The opposition Democratic once-outlawed organisation is seen as less corrupt, and less many of whose members have been jailed, was a prime beneficiary of anti-Lee sentiment. It picked up 31 per cent of the vote, compared with 24 per cent in the National Assembly election last year.

But the biggest swing was

towards President Lee's conservative opposition within his TAIWAN dealt a blow to own party: the descendants of Chiang Kai-shek's Mainland army who took control of the island in 1949 and have only recently relinquished their authoritarian rule.

> The largest number of votes went to Mr Wang Chien-shien and Mr Jaw Shao-kan, two former KMT cabinet ministers who stood without the support of the party and who campalgned strongly against KMT corruption.

> Taiwan's multi-seat constituency system makes it possible for more than one KMT candidate to stand in any one con-

The conservative faction, Progressive Party (DPP), the known as the Non-Mainstream. biased towards the business community, and they benefited from the election's focus on "Money Politics". This year's election cam-

paign is believed to have cost a total of T\$20bn (£498m), much of which has gone on illegal

vote-buying. More than 200 cases of vote-buying are currently being investigated.

The mainstream KMT members are seen as the main culprits, using the huge financial resources of the party (which owns banks and television stations), and its support from the island's big businessmen.

Mr James Soong, KMT secretary general, said: "Our party is very dissatisfied with the outcome, but we have to accept the voters' choice." Yesterday, one conservative KMT faction called for Mr Soong's resigna-

The pro-Mainland backlash is good news for beleaguered Taiwanese premier Hau Peltsun, a Mainlander who looked set for departure in the event of strong support for President Lee's Mainstream KMT. Given the backing for Hau's supporters, it seems likely he will remain as figurehead for a big minority group.

DPP support was also fervent, showing recognition of its evolution into a serious

opposition party. The lack of support for President Lee is bound to cause consternation in Beijing. China has been keeping a close eye on the elections in what it con-

siders to be a renegade province, and General Secretary Jiang Zemin last week warned the KMT to oppose any support for the independence move-The DPP campaigned on a

platform of "One China, One Taiwan" urging greater inde-pendence. Its 50 seats in the 161-seat legislature will therefore smack of defiance towards the Mainland rulers. But President Lee looks

likely to retain control of an

increasingly divided legislature. Official KMT candidates retained 96 seats. In addition the non-Mainstream may be keen to force compromises but they will want to retain the advantages of party membership, while the DPP agrees with many of the economic and political reforms proposed by President Lee.



A Belgian paratrooper talks to representatives of the warlord Col Cmar Jess in Kismayu after US and Belgian troops seized the southern

said 30 trucks laden with food north of Mogadishu were lost in an apparent case of looting. The vehicles were believed to have been loaded with rice donated by French schoolchildren. Somali port yesterday. Meanwhile a UN official

Opposition parties

back De Klerk purge

Fabius to be tried over HIV blood

THE French parliament voted at the weekend to send Mr Laurent Fabius, leader of the Socialist party, and two former ministers to trial, over a scandal in which more than 1,200 haemophiliacs were infected by blood tainted with the HIV virus, writes William Dawkins in Paris.

The complex and rarely used process could take years to

reach a conclusion. The national assembly voted overwhelmingly on Saturday followed by the Senate yesterday to send Mr Fabius, prime minister when the national blood transfusion service supplied the infected blood in 1985. before a parliamentary high court, along with Mrs Georgina Dufoix, former social affairs minister and Mr Edmond Hervé, former health minister.

EC to study **fisheries**

EC ministers yesterday agreed to overhaul their common fisheries programme and reduce catch quotas next year to counter over-fishing. AP

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reports from Brussels. Although the Tweive did not accept all proposals of the EC's Commission to guarantee sufficient stocks over the next decade, the deal still went well beyond the current programme by introducing fishing licences by 1995 and tougher fishing controls.

Kenya warned over election

The 38-member Commonwealth observer group yesterday called on the Kenyan government for "more effective action" to curb the violence marring the run-up to the country's first multi-party general election in 26 years on December 29. writes Michael Heiman in Mairobi. It was the group's third

warning in a week.

hold on Singapore

By Kieran Cooke in Singapore

BOTH the government and the of the vote. The SDP said the opposition in Singapore have claimed victory after a by-election at the weekend which saw the ruling People's Action Party retain its overwhelming hold on the island republic's politics.

The PAP won 73 per cent of the vote in the four-seat Marine Parade constituency. Mr Goh Chok Tong, who took over from Mr Lee Kuan Yew as Singapore's prime minister in late 1990, was a candidate. He said the vote represented a "resounding endorsement" for his government's policies and his leadership.

The fledgling Singapore Democratic Party (SDP), which had put itself forward as the

main opposition party during the campaign, won 24 per cent result marked the beginning of a two-party political system in

Singapore. The PAP has long had a monopoly on political power in Singapore and was shocked when its vote in a general election midway through last year dropped to 61 per cent, with four opposition members voted

into the 81-seat parliament. Mr Goh, who has had difficulty escaping from the shadow of Mr Lee's long years as Singapore's leader, had said that this by-election was a crucial test of his leader

In the general election last year the PAP won 77 per cent

Ruling party retains | S Korea's election results put opposition in disarray

By John Burton in Secui

THE comfortable victory of Mr Kim Young-sam's in Friday's South Korean presidential election has given him a secure mandate to govern while leaving the opposition in

As the candidate of the rul-

ing Democratic Liberal Party (DLP), Mr Kim received 42 per cent of the vote against 34 per cent for Mr Kim Dae-jung of the main opposition Democratic Party and 16 per cent for Mr Chung Ju-yung, the founder of the Hyundai business group. His margin of victory was wider than expec-

disarray.

Mr Kim, who will take office of the vote in Marine Parade. late in February, is hoping to

improve the DLP's slim majority in the legislature as a result of his victory. The DLP has 161 seats out of 299.

The poor performance of the opposition parties in the election is expected to encourage some MPs to defect to the DLP. The switching of party affiliation is normal practice in South Korean politics, with more than 30 MPs having done

so this year. The resignation of Mr Kim Dae-jung as opposition leader and MP following his defeat is likely to cause factional infighting within the Democratic Party, which was formed only a year ago from a merger of two parties.

There are doubts about the survival of Mr Chung's United

Yearly liquies are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

People's Party, which was established earlier this year to support his failed bid for the presidency. Most of the UPP's 37 MPs would join the DLP if the conservative party col-

Mr Chung also has to worry about possible government reprisals against his Hyundai industrial conglomerate as his political strength wanes. Hyundai has already been

subject to government harassment this year, including tax penalties and credit squeezes. because of Mr Chung's political ambitions. One factor that may protect Hyundai from a crackdown is

Editorial Comment, page 12

est business group.

world war. The two generals sacked its status as the nation's larghave been named by the Afrikaans Sunday newspaper Rapport as Gen Hennie Roux,

By Philip Gawith

kn Johannesburg

THE purge by President FW

de Klerk of South African

Defence Force members

involved in efforts to under-

mine the reform process has

been welcomed by other politi-

cal parties, who believe further

army chief of staff, and Gen Chris Thirion, deputy chief of staff intelligence. Also alleged to have been sacked are Brig Tolletiies Boths, head of the Directorate of Covert Collection (DCC), and Brigadier Ferdi van Wyk, the mastermind behind a campaign to discredit the African National Congress. The ANC welcomed Mr de

revelations are likely to follow. Klerk's announcement, but Mr de Klerk's announcement said "It has been a very slow on Saturday that 23 SADF recognition of what is happenmembers, including two genering." Gen Bob Rogers, Demoals and four brigadiers, had either been compulsorily cratic Party spokesman on retired or suspended, is the defence commended Mr de largest reshuffle in defence Klerk for his prompt action. • The recent upsurge in force ranks since the first attacks on whites continued over the weekend when a 14year-old girl was killed in a

the Lesotho border.

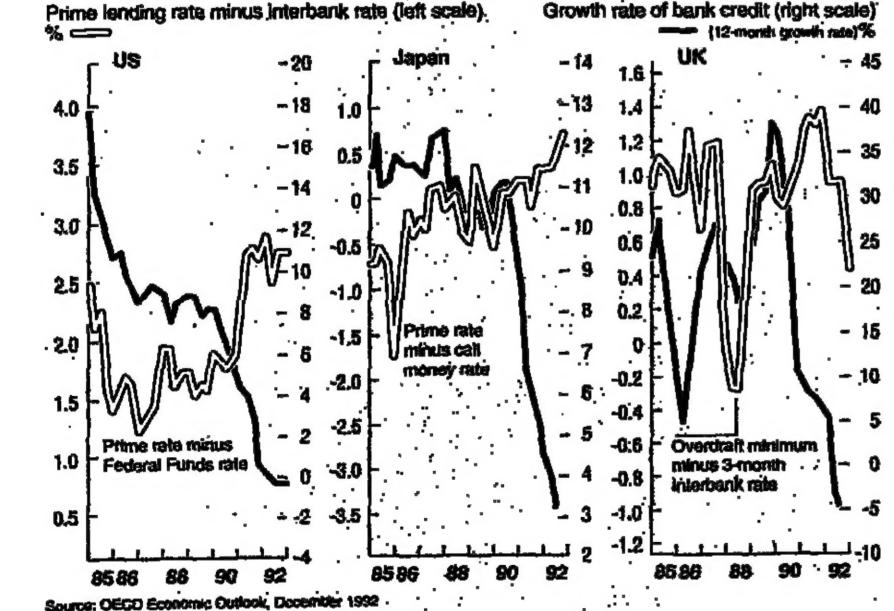
grenade attack on a farm near

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

	UNIT	ED ST	ATES			JAPA	N				E GERM	ANY				E FRAN	CE				E ITALY	1				E UNIT	ED KI	ICDO		-	
	Consumer	Producer prices	Earnings	costs jupour Unit	ijesi exchange rate	Concurrer prices	Producer prices	Earnings	lick labour costs	Real exchange yate	Commenter prices	Producer prices	Earnings	linit labour costs	Heal authorge tale	Communier prices	Producer prices	Earnloge	Constanting Consta	pest eschange pest	Consumer prices	Predecer prices	Earnings	Coops japon. (jest	Paul enchange egin	Costoner	Producer	Ennings	See	Red	
36	101.9	98.6	102.2	99.4	76.5	100.8	95.3	101.4	103.3	131.0	99.9	97.5	103.8	104.0	110.2	102.5	97.2	104.5	101.5	102.3	106.1	100.2	104.8	102.5	101.5	103.4	104.3	107.7	104.5	93.3	1
7	105.6	100.7	103.8	96.7	65.4	101.2	92.5	103.1	100.6	131.6	100, 1	95.1	108.0	107.0	123.9	105.9	97.8	107.8	103.0	102.5	111.0	103.2	111.6	105.6	102.3	107.7	108.3	116.3	105.9	91.3	. 1
3	109.9	103.2	106.9	98.1	61.8	102.2	92.3	107.8	96.2	140.3	101.4	96.2	113.0	107.0	125.3	108.8	102.8	111.1	104.0	96,3	116.5	106.8	118.4	109.8	101.6	113.0	113.2	126.2	108.9	97.5	
9	115.2	108.5	110.0	98.9	65.5	104.9	94.2	114.0	96.1	132.2	104.2	99.3	117.3	108.0	121.0	1126	108.4	115.4	105.5	92.3	124.2	113.1	125.6	112.1	107.2	121.8	119.0	t37.2	113.6	96.4	•
30	121.5	113.8	113.8	100.9	60.9	108.2	96.7	120.1	98.2	114.8	107.0	101.0	123.8	110.0	125.0	116.4	107.1	120.6	110.0	95.7	131.8	117.8	134.7	118.8	113.7	133.3	126.0	150.1	123.2	102.3	
7	126.8	118.3	117.3	103.5		111.8	97.3	124.4	101.7		110.7	103.4	131.8	115.0		120.0	105.8	125.8	114.3		140.3	121.7	147.9	131.2		141.2	133.0	162.4	133.6		
qtr.1991	3.9	1.9	3.2	24	62.0	3.3	1.7	3.3	3.7	125.3	4.1	2.8	n.a.	4.6	122.7	3.0	-1,5	n.a_	2.7	91.0	6.4	3.1	10.7	12.8	114.3	4.8	5.5	7.8	6.3	107.D	3rd qtr.
qtr.1991	3.0	-0.2	29	1.7		3.2	0.0	3.2	6.0		4.0	2.4	n.a.	6.6		2.9	-3.6	n.a.	3.6		6.1	21	10.6	12.7		4.2	5.0	7.8	4.4		48h qtr.
qtr.1992	29	0.4	2.6	-0.1		21	−0.6	2.5	8.2		4.3	20	n.a.	4.5		3.1	- 3.G	n.a.	6.0		5.6	1.4	8.2			4.1	4.5	8.6	41		1st qtr.
qtr.1992	3.1	1.3	29	- 0.5		26	-0.7	2.4	8.7		4.5	20	n.a.	3.8		3.1	-1.1	n.a.			5.5	20	6.0			4.2	3,6	5.9	1.6		2nd qtr.
qtr.1992	3.1	1.6	2.3	-0.1		20	- 0.8				3,5	1.0	h.a.			2.7	-0.9	n.a_			5.2					3.6	3.5	6.2	1.9		3rd qtr.
ember	3.1	- Q. 1	2.6	0.7	n.a.	3.0	-0.1	3.5	5.9	n.a.	4.2	26	6.4	9.0	n.a.	3.1	п.а.	4.1	n.e.	n.a.	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	3.9	n.a.	Decen
uary 1992	2.6	-0.4	1.7	Q.7	n.a.	2.1	-0.6	4.6	7.9	n.a.	4.0	1.6		4.5	n.a.	2.9	n.a.,	~	n.a.	n.a.	6.1	1.3	9.4	ILA.	n.a.	4.2	4.5	7.5	4.8	0.2.	1902 Jan
ruary	2.8	0.6	3.5	-0.1	n.a.	2.2	-0.6	1.2	6.9	n.a.	4.3	20		3.6	n.a.	3.0	п.а.,	-	n.a.	n.a.	5.3	1.5	9.1	n.8.	n.a.	4.1	4.4	7.8	23	n.a.	Febr
ch	3.2	1.1	2.6	-0.7	n.a.	2.2	-0.7	1.7	9.8	n.a.	4.8	2.5		5.4	n.a.	3.2	n.a.	3.6	n.a.	n.a.	5.5	1.4	9.1	n.a.	n.a.	4.0	4.5	10.3	5.3	n.a.	M
1	3.2	1,1	3.4	- O-B	n.a.	2.8	-0.7	1.3	8.7	n.a.	4.6	1.9		5.4	n.a.	3.1	п.а.,	~	п.а.	ព.ខ	5.5	1.8	8.8	n.a.	n.a.	4.3	3.8	5.0	0.1	n.a.	
	3.0	1.1	2.6	-0.6	п.а.	23	-0.7	1.1	11.8	n.a.	4.6	2.0		1.7	n.a.	3.1	n.a.	~	n.a.	n.a.	5.7	21	4.6	n.a.	n.a.	4.3	3.5	7.0	2.7	n.a.	
0	3.1	1.6	2.6	-0.3	n.a.	2.5	0.7	3.8	5.7	n.a.	4.2	20		4.3	n.a.	3.0	n.a.	3.8	n.a.	n.a.	5.4	21	4.7	n.a.	n.a.	3.9	3.6	5.9	2.0	A.S.	
	3.2	1.7	7.7	-0.2	17.4.	2.0	-0.7	2.3	8.8	n.a.	3.3	1.1		8.9	п.а.	29	n.a.	~	n.a.	n.a.	5.4	1.9	4.0	rla.	n.a.	3.7	3.6	6.2	3.1	n.a.	•
ust	3.2	1.5	2.6	- 0.5	n.a.	1.8	- 0.8	- 1.5		n.a.	3.5	1,1		5.2	n.a.	2.7	n.a.		n.a.	n.a.	5.2		3.5	n.a.	n.a.	3.6	3.4	6.5	1.9	. n.a.	_ Au
ember	3.0	1.0	2.5	0.3 - 0.2	n.a.	2.2	-0.7			n.a.	3.6	8.0			n.a.	26	n.a.,	3.5	n.a.	n.a.	5.1			n.a.	n.a.	. 3.6	3.4	5.7	0.8	n.a.	Septer
ober ombos	3.2 3.0	1.7		-0.2	11-9.	1.2				n.a.	3.7	0.5			n.a.	24	n.a.	_	n.a.	n.a.	4.9			7.8.	n.a.	3.6	3.3	6.4	0.4	n.a.	Oct
rember	3.U	1.3			n.a.	0.6				n.a.	4.7	0.5			n.a.	2.1	n.a.	-	n.a.	n.a.	4.8			U.S.	n.a.	3.0	3.3		_	n.a.	Novem

goods, Italy - total producer prices, UK - manufacturing broducts. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in Industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany and manufacturing, other countries - manufacturing industry. Real exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Interest rate margins and bank credit



Why recovery may depend on higher bank margins

THE COMBINATION of accumulating bad debts, vocal complaints from small businesses and a chancellor who is determined to ensure that all interest rate cuts are passed directly to borrowers has made this a trying year for Britain's banks. But, however justified it may be to criticise the competence of UK bankers, their willingness and ability to lend will be a central determinant of the pace of economic recovery next year. Whether Britain's banks are able to start lending again soon may depend on whether they are able to ignore Mr Norman Lamont's strictures.

Two items of economic news in the UK last week confirm the banks' difficulties. On Thursday, Barclays bank announced a record £240m write-off to cover propertyrelated losses on loans made at the height of the late 1980s boom. On Friday, the Bank of England announced that commercial bank lending in November fell, unexpectedly, by £600m.

Nor are these problems peculiar to

Britain, as the OECD acknowledged in its

latest gloomy economic outlook. Commercial banks in the US and Japan, as well as in the UK, lent too much too cheap in the late 1980s to risky property-related ventures, many of which have subsequently collapsed along with the land and property prices upon which their financial health depended. The banks are still trying to

repair the damage to their balance sheets. This asset price collapse has bitten deep into the profits of the commercial banks. The average rate of return on total assets of US banks was 0.73 per cent in 1990-91 compared to 0.83 per cent in 1981-89. The average return earned by UK banks was also 0.83 per cent in 1981-89 but has since fallen to 0.56 per cent in 1990-91, while the average return earned by Japanese banks has slipped from 0.62 per cent to 0.40 per cent over the same period.

Commercial banks in all three countries have responded to this fall in profitability by contracting credit growth. The charts. taken from the OECD outlook, show the collapse in the growth of bank lending in all three countries since 1989, particularly in the US and UK where credit has been contracting this year.

Yet it is the rise in UK bank margins on existing loans, not the unwillingness of the banks to make new loans, that has aroused the chancellor's ire. Barclays and National Westminster have both raised the average margin over the base lending rate that they charge to small business from 3.1 percentage points 18 months ago to 3.5

percentage points today. Are the UK banks behaving unfairly? The mark-up over the base lending rate of UK banks is certainly bigger than that of US banks, and has risen further. Mr Christopher Snyder, president of the Loan Pricing Corporation, a New York-based financial information company, says that the average mark-up over the prime lending rate for middle market loans is 1.35 percentage points, while smaller and less credit worthy borrowers might face a 2 percentage point mark-up. He estimates. that this mark-up has risen by about 0.3 percentage points over the past two years.

Yet this comparison between mark-ups

is puzzling because UK bank profits are both smaller and have fallen further than in the US. It is also misleading. For the US banks have been encouraged by the Federal Reserve to rebuild their balance sheets through a more direct means. While the Fed has reduced US short-term interest rates to half UK levels by cutting the rate at which it lends to commercial banks, the gap between the prime rate and the Fed Funds rate has risen by 1.5 percentage points over the last two years, as the chart shows. In the UK, by contrast, the gap between the base overdraft rate and the money market rate is both much smaller - 0.5 percentage points compared to over 2.5 percentage points in the US and has been falling recently.

So while the average US bank mark-up over prime is smaller than the mark-up over the base lending rate in the UK. US banks margins over market interest rates are both larger and have risen more than in Britain. And the US has a recovery.

Edward Balls

A REPUTATION ENHANCED

The 1991-92 Academic Year was a challenging time for Higher Education. As competitive pressures increased the University of Nottingham responded with a positive programme of policies, developments and initiatives. A strong financial base, continuing popularity with students from home and abroad and a record value of new research awards enabled Nottingham to enhance its reputation as a major research-led university, a centre for innovative and high quality teaching, and an academic, social and cultural resource of great influence in its City and Region.

Highlights of the year featured in the University's Annual Report include:

Financial Strength The University has had a successful year financially. Total income increased by almost ten percent which included substantial increases in income from UFC grants and home students (18%), overseas students (24%) and research (7%). UFC grant allocation put the University of Nottingham in the top ten research-led universities. A surplus of £5.8 million has been recorded and is to be invested in new capital and academic developments. The financial strength of the University is among the very highest in the United Kingdom.

Research Funding - Another Record Year Grants and contracts awarded have more than doubled in the past four years despite continuing economic gloom. New awards during 1991-92 totalled £25million against £22.5million for the previous year.

The New Arts Centre and the Angear Visitors Centre opened during the year to provide significant new facilities for the City and Student Popularity The University of Nottingham retains its popularity in terms of applications per available places - a ratio of 15:1.

Academic and Research Activities These include Nottingham's involvement in the development of the Ford Motor Company's Academic and research mentioned in the manual lines in Magnetic Resonance Imaging coinciding with the commissioning of a new purpose-built centre; the major restricturing and strengthening of Nottingham's contribution to Cancer Research, and the appointment of the first Professor of Stroke Medicine; a far-ranging programme of Computer-Assisted Learning and continued emphasis on staff development.

The University's Annual Report was adopted by The Court. For copies of the Report please contact the University Information Office, The University of Nottingham, University Park, Nottingham NG7 2RD Telephone: (0602) 515759

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FT SURVEY OF FORECASTS

Public sector spending prompts tax fear

By Emma Tucker and Keith Fray

A GROWING crists in public sector finances will force the government to raise taxes before the end of 1994, according to the latest Financial Times survey of economic fore-

The most comprehensive survey of forecasts for the UK economy over the next two years shows that more than half of City of London, academic and independent economists believe the government will have to increase taxes to claw back some of the revenue lost as a result of the recession.

By Richard Lapper

this year.

LLOYD'S capital base is next

year expected to shrink by at

least 15 per cent to £8.5bn as a

result of heavy underwriting

losses at the insurance market. Leading agents at the market

are also predicting losses of

more than £1.5bn in the 1990

year, which Lloyd's will report

in June: about 50 per cent

worse than anticipated earlier

The figures indicate that

recent losses are taking a

heavy toll on Lloyd's and could

prevent it from taking full

advantage of recent increases

"The trough is deeper and

longer than we would have

said the finance director of one

Lloyd's had expected that the

market's capacity - the amount

of premium it can underwrite -

would fall from present level of

£10.1bn to £9bn in 1993, follow-

ing losses of £2.5bn in 1988 and

But the fall in capacity is

now expected to be greater

because many Names, the indi-

viduals whose capital under-

writes the market, have had

problems in meeting solvency

thought twelve months ago,"

in insurance rates.

large agency.

INSURANCE MARKET

Although the consensus forecast for this year's public sector borrowing requirement is in line with the Treasury's expectation of £37bn, economists see government borrowing spiralling towards £50bn in

"In order to bring the PSBR down to 3 per cent of GDP over the medium term, it would require annual increases in taxation - excluding any changes to expenditure - of anything up to £10bn a year," said Mr Neil MacKinnon, chief economist at Citibank.

Few predict that the government will raise direct taxes. Increases in indirect taxes are

requirements. These require-

ments govern how much

money they can commit to the

Mr John Moir, of London

Wali, said the market had

"underestimated the extent to

which solvency would be a

problem for many Names"

many of whom "had been

forced to reduce their partici-

Mr Anthony Cooper, chief

executive of Wellington Under-

writing Agencies, says capacity

could fall to £8.3bn, while

senior executives at five other

agencies interviewed late last

pations to a lower level."

market.

more likely, and a number of economists expect the scope of VAT to be widened and excise duties raised. Abolition of the upper earnings limit on national insurance contribu-

tions is also possible. Few foresee an early reentry to the European exchange rate mechanism, if at all. "Assuming that economic sanity reigns - a bold assumption given the events of recent months - the UK will not rejoin the ERM in the forseeable future," said Mr Paul Neild at County NatWest.

cent target range in the next "Britain will only rejoin when German monetary policy is appropriate for the UK. With

the UK and German cycles out of phase, re-entry is unlikely within the life of this parliament," says Mr Keith Wade, chief economist at Schroders. Those that do expect reentry,

believe it will happen in 1994 at a rate between DM2.40-DM2.60. The outlook for inflation is more pessimistic than official forecasts suggest. Over half of the 38 economists questioned expect the retail prices index, excluding mortgage interest payments to breach the upper

Forecasts for average inflation next year range from as

limit of the Chancellor's 1-4 per

little as 2.3 per cent to 6.2 per cent, although a number of economists forecasting a rise in inflation next year, expect it to drop back again in 1994. once the devaluation of sterling has made its impact on the

Expectations for growth towards 3% among economists are broadly in line with the Treasury's latest forecast of 1 per cent next year. The following year, economists see GDP growth rising to 2.4 per cent. Unemployment is forecast to stay at just over three million both next year and in 1994, with only four economists expecting the peak before the end of 1993.

Britain in brief



Private pay awards drop

Private sector pay settlements are falling again sharply after a period of stabilisation and could soon drop below 3 per cent

The Confederation of British Industry's manufacturing pay databank estimates that settlements between September and November averaged only 3.1 per cent and that since August one manufacturing group in three has introduced a pay

That compares with an average settlement rate of 4.2 per cent in the quarter ending in September, down only slightly on the 4.4 per cent in the last quarter of 1991.

The figures, compiled by the employers organisation, were released as part of a new monthly series for CBI members. But they will also come as good news to the government, which is keen to see pay in the sector fall as close as possible to its own public sector limit of 1.5 per cent.

Pay awards in the service sector fell sharply, too, according to the CBI, down to 3.7 per cent in the three months ending in November from 4.5 per cent in the three months ending in August.

Generators may need watchdog

Prof. Stephen Littlechild, the UK electricity watchdog, is considering whether the power generation companies should be regulated in the same way as electricity distributors.

This comes at a time of mounting concern about the "duopoly" exercised by National Power and PowerGen, who have over 70 per cent of the market between them.

At the moment Prof. Littlechild only has power to regulate prices charged by the regional electricity companies (RECs). This is based on the principle that they have local

monopolies, and that regula-. tion is required to keep prices down. But because the generators are supposed to compete in an open market to sell their electricity, they were exempted from regulation at privatisa-

However Prof. Littlechild has frequently criticised the market dominance of the generators, most recently last week when he called for more competition in a report on electricity prices.

Independent directors

Independent directors are playing an increasingly important role in regulating companies' activities in the UK, a survey published by 3i, a venture capital group, says.

Independent directors are well represented on public and private company boards and form a majority in the largest companies, the survey shows. Most private companies have at least one independent direc-

They have increased their influence over remuneration and audit committees. Virtually all are now chaired by an independent director and 44 per cent are composed solely of independent directors. Two years ago, most such committees had equal numbers of executive and non-executive directors.

Foreign banks gain foothold

Worsening relations between

banks and their corporate customers have led a quarter of UK companies to change bankers in the past five years more than half of them in the past two years, a Manchester Business School survey shows. That is an increase in market volatility of two or three

times compared with the mid

At the same time, increasing numbers of companies are splitting their banking, allowing foreign banks to compete effectively for specific business. Only 8 per cent of companies now use only one bank. That has enabled US, Japanese and continental European

accounts. Those are among the main findings of a detailed survey of 11-10.

banks to gain a foothold in 25

per cent of UK corporate

banking relationships by the school's International Centre for Banking and Financial Services. The survey was of a sample of 670 subscribers to Financial Director, a specialist magazine.

Reid warning on rail sell-off

Sir Bob Reid, the chairman of British Rail, has given his strongest warning so far about the government's plans for privatising BR, as he urged ministers to build on the organisation's achievements, instead of

breaking it up. While Sir Bob has been known for some time to be anxious about aspects of the government's plans to split the railway into a track authority and privately-run companies competing to run services, his call for privatisation to "evolve" rather than be introduced with disruption is his most open attack yet on the

proposals. "If you start to break it up and you disrupt it, you will break the momentum, you will give yourself major safety validation problems ...and you will not get a better service for some long time to come," he said on BBC radio.

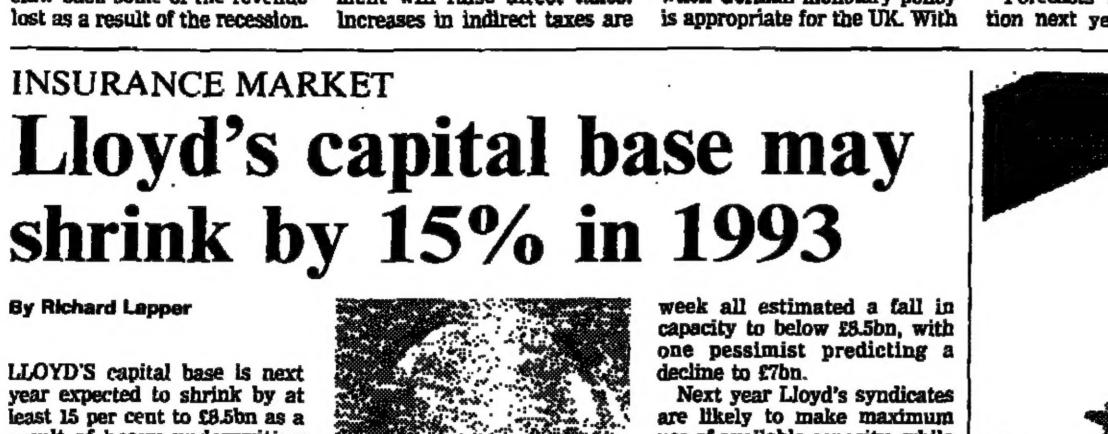
Bomb insurance decision 'soon'

The insurance industry is expecting a government decision this week on the controversial issue of insuring property against terrorist attack.

Mr Michael Heseltine, the trade and industry secretary, has come under pressure to intervene since the Association of British Insurers recommended that its members should withdraw terrorism cover from commercial insurance policies, following the withdrawal from the market of some large reinsurers. The ABI believes that the government should meet part of the bill for mainland terrorist damage in

White out

The odds against a white Christmas in London, Glasgow or Cardiff are 8-1 says bookmaker William Hill, which prices a wet Christmas at 8-11 and a completely dry one at



Next year Lloyd's syndicates are likely to make maximum use of available capacity, while new rules giving them more flexibility to buy reinsurance from outside the market will also cushion the impact of the decline.

decline to £7bn.

But agents fear capacity will fall further in 1994, due to the impact of the 1990 losses on Names, and that capital shortages could begin to undermine the market's overall viability. This, in turn, could put more pressure on Lloyd's to attract corporate capital to the mar-

Lloyd's agreed to examine ways in which corporate investors could be attracted to the market following the publication of the Rowland task force report earlier this year. The report's author, Mr David Rowland, takes over as

chairman of Lloyd's next

month, and is expected to give more impetus to these efforts. Mr Cooper says 1990 losses could reach £1.8bn as a result of losses from storms and continuing ashestosis and pollution-related claims in the



NEARLY 200 guests were evacuated before dawn yesterday in sub-zero temperatures as a fire damaged a new hotel on Edinburgh's historic Royal Mile. A 100m sq area of roof and the two upper floors of The Scandic Crown, opened two years ago, were badly damaged. No one was hurt as 100 firemen fought the blaze.



"As a management consultant with a degree in chemical engineering, I took a close look at various chemical companies. So when it was my turn to join the ranks of those who manage - I had a pretty clear picture of what to expect. What I wanted was

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CREATING THE RIGHT CHEMISTRY



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meeting

11%% Sinking Fund Bonds, Series 1985-1, Due February 1, 1995

NOTICE IS HEREBY GIVEN as provided in the Indenture dated as of February 1, 1985 (the "Indenture"), between New England Life Mortgage Funding Corporation (the "Company") and The Chase Manhattan Bank (National Association), as Trustee (the "Trustee"), that the Company will redeem on February 1, 1993 (the "Redemption Dale"), after giving effect to the February 1, 1993 sinking fund redemption, all of its remaining outstanding 113/4% Sinking Fund Bonds, Series 1985-1. Due February 1, 1995 (the "Bonds") at 102% of the principal amount thereof (the "Redemption Price"). Payment will be made upon presentation and surrender of the Bonds at the below-listed paying agencies together with all appurtenant coupons, if any, maturing subsequent to the Redemption Date. The amount of any missing unmatured coupons will be deducted from the sum otherwise due for payment. Interest on the Bonds will cease to accrue on and after the Redemption Date. Coupons which mature on the Redemption Date should be detached and surrendered for payment in the usual manner. dered for payment in the usual menner.

Payment will be made at any of the following paying agencies listed below: Chase Manhattan Benk The Chase Manhattan Bank (Luxembourg) S.A. 5, Rue Plaetis (National Association) L-2338, Luxembourg-Grund Woolgate House, Coleman Street Lucembourd London EC2P, 2HD, England

> Credit Lyonnals Belgium N.V. Lange Gasthuisstraat 9 B-2000 Antwerp

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NEW ENGLAND LIFE MORTGAGE FUNDING CORPORATION By: THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION),

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The FT proposes to publish this survey on March 1 1993

For further information telephone

Samantha Telfer 071-873 3050 Fax: 071-873 3595

Sarah Pakenham-Walsh (Hong Kong office) (852) 868 2863 Fax: (852) 537 1211

FT SURVEYS

THE WEEK AHEAD

ECONOMICS

Fall tipped in British GDP

THE final figures for UK gross domestic product in the third quarter are published today, with details on expenditure and the components of output.

GDP, including oil and gas extraction, is forecast to have fallen a further 0.7 per cent, compared with the third quarter last year - although some economists are expecting a small increase.

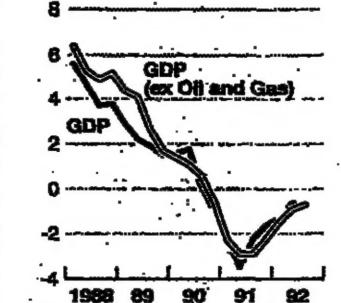
Later in the week, figures for real personal disposable income may show a small drop in the savings ratio from 10.3 per cent in the second quarter to 10 per cent in the third. However, the latest figure is unlikely to reflect any change in spending habits after the reduction in base rates to 7 per cent after Britain left the European exchange rate mechanism

on September 16. If lower interest rates have enticed people to save less and spend more, the effect will probably show up in the fourth quarter figures, not due until early next year. All markets will be closed on Friday, except in Japan, where trading continues and a string of economic statistics is due.

Other economic events and figures published this week follow. The figures in brackets are the median of economists' forecasts from MMS International a financial information company.

Today: UK GDP for third quarter (flat on quarter, down 0.7 per cent on year); Germany, November Ifo business climate; US, November Treasury budget (-\$38.8bn); Canada, October retail sales (up 0.2 per cent); Japan. November money supply - M2 and cash deposits (down 0.6 per cent), November broad liquidity, December

UK GDP Constant prices, annual % change



price index – first ten days. Tomorrow: UK. November current account (£1.2bn deflcit), November visible trade (£1.3bn deficit); US, final third quarter GDP figures (up 3.9 per cent), deflator (up 1.7 per cent). third quarter after tax corporate profit, 1993 real capital spending, Johnson Redbook week ended December 19, Federal Open Market Committee meeting in Washington; Canada, October wholesale trade, October departmental sales (up 0.1 per cent); Japan, October leading difference index, coincident diffusion index, December trade balance - first 10 days; Australia, October import prices, October manufacturing input prices; New

Wednesday: UK, third quarter personal disposable income, third quarter savings ratio (10 per cent); France, December trade balance (FFr2bn surplus); US, November durable orders (down 0.1 per cent), November durable shipments, November personal income (up 0.4 per cent), November PCE (up 0.4 wholesale per cent), auto sales Dec 11-20

Zealand, November trade bal-

(6.3m units): Canada, October investment in C\$ securities: Japan, National Holiday, all Japanese markets closed.

Thursday: US, initial claims week ended December 12 (341,000), state benefits week ended December 5, November export price index, import price index, final December Michigan sentiment index, money supply data for the week ended December 14, minutes released from the FOMC meeting of November 17: Australia. November motor vehicle registrations (up 1.5 per cent). Friday: Christmas Day, all markets closed except Japan; Japan, December consumer price index - Tokyo (up 1.1 per cent), excluding perish-

ables (up 2.1 per cent). December CPI - nation (up 0.8 per cent), excluding perishables (up 2.1 per cent), November unemployment rate, November retail sales (down 4.1 per cent), November industrial production (down 0.7 per cent), November construction orders, November housing starts (up 9.1 per cent), November construction starts. During the week: Germany,

November M3 (up 9.3 per cent), cost of living for Badenuertt, Hesse, Nord-rhine Westphalia and Bavaria, preliminary figures for December cost of living (up 0.3 per cent on month, up 3.9 per cent on year), GFK construction climate, November import prices (up 0.3 per cent on month, down 4 per cent on year); Italy, November trade balance, November M2, November balance of payments, November net foreign reserves, December CPI (up 5 per cent); Belgium, December CPi (up 2 per cent on year).

Emma Tucker | Ivory & Sime

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III TODAY Alcan Aluminium \$0.075 Assoc. British Ports 1178% bd. 2011 £593.75 Bristol & West Bldg. Society Senior Var. Rate Nts. 1994 £241.36 Commonwealth Bank of Australia Gtd. Und. Var. Rate Cap. Nts. \$101.19 Daiwa Int. Fin. 7.875% Sb. Bd. 2006 \$7021.88 Drayton English & Intl 0.6p Enron \$0.35 Finnish Export Credit 84% Dual Currency Bd. 1995

Y82,500 Fleming Japanese Inv. 0.35p Gartmore European Inv. 1.1p Gen. Motors Acceptance Corp. 10% Nts. Dec. 1993 Ecu 100 Do. (UK) 934 % Nts. Dec. 1993 £97.50 Hallfax Bldg. Society 51/4 % Nts. 1993 Y52,500 Hunting 4p Itochu Corp. Fltg. Rate Nts. 1996 Y312.548

Leeds Permanent Bldg. Society Fltg. Rate Nts. 1996 Lowland Inv. 5.5p Marubeni Int. Fin. 7.3% Bd. 1994 Y730,000 Nationwide Bldg. Society Sb. Fltg. Rate Nts.

Citicorp Fitg. Rate Sb. Cap.

Nts. 1992 \$266.88

2004 £240.09

Smart (J) 6.2p

Nts. 1996 Ecu96.25

2% Bd. 1992 \$200.0

■ TOMORROW

1992 £106.25

£5.1875

£118.10

Hercules \$0.56

Dickie (James) 1p

Rate Nts. 1997 \$527.96

Lasmo 1038 % Db. 2009

Riggs National Fltg.

Marine Midland Banks Fltg.

Rate Sb. Nts. 2009 \$132.71

Rate Sb. Nts. 1996 \$132.71

Standard Chartered Und.

Prim. Cap. Fitg. Rate Nts.

Taiwan Power Co. Fltg. Rate

GFW Fin. 1058 % Gtd. Nts.

\$850.0

1.125p

C\$106.25

NT & T 812% Nts. 1996

North American Gas inv

Do. 1058% Nts. 20/12/96

Tokyo Electric Power 958%

Yuen Foong Yu Paper Mfg.

Flash Ser. Gamma Sec. Fitg.

Nts. 1996 \$132.71 Devenish (JA) 104% Db. 2017 £5.125 Foreign & Col Eurotrust 1.23p

FR Grp. 4-2% 2nd Cm. Pf. Halliburton \$0.25 Leeds Permanent Bidg. Society Sb. Var. Rate Nts. £245.84 Marine Midland Bank Fltg.

Rate Sb. Cap. Nts. 1996 \$132.71 Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (June 1985) \$254.17 Riverview Rubber Ests M\$0.10 Unilever 5.2p Unilever NV FL1.48

Woolwich Bldg. Society 934 % Fixed/Fitg. Rate Nts. 1995 £51.01

■ Thursday December 24 Black & Decker \$0.10 Lex Service 612 % Cm. Pt. 2.275p Manchester 3% Rd. 75p Do. 3% 1891 Rd, £2.00 Metropolitan Water Kent Water 3% Db. £1.50 Saehan Merchant Banking Fitg. Rate Nts. 1995 \$481.86

Television South West 2p **#WednesdayDecember23** Allied Leisure 3.25p State Bank of India Fitg. American Cyanamid \$0.4125 Rate Nts. 1997 \$266.88

UK COMPANIES

■ TODAY COMPANY MEETINGS: Gartmore European Inv. Trust, 16-18, Monument Street, E.C., 2.00 **High-Point**, Institute of Directors, 116, Pall Mali. S.W., 10.00 **BOARD MEETINGS:** Finals: Abbey Panels

Stakis Interims: **Faupel Trading** Fletcher King

E TOMORROW

COMPANY MEETINGS: Clyde Blowers, Livingstone Street, Clydebank, 11.30 Foreign & Colonial Eurotrust, Exchange House, Primrose Street, E.C., 12.15 Regina, Gresham College,

Barnard's Inn Hall, Holborn, E.C., 10.30 **BOARD MEETINGS:** Final: Chrysalis

Interims: Albrighton Batteys **Border Television** Foreign & ColSmallerCos I & S Optimum Inc. Tst.

■Wednesday December 23

BOARD MEETINGS: Finals: Caspen Oil Kelsey Inds. Company meetings are annual generalmeetings unless otherwise stated.

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Dealing, etc. Contact investment Education plc. Tel: 061-833 9656 Fax: 061-834 8050

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PROMOTOR STATE AND ADMINISTRATION OF THE PROMOTOR ADMINISTRATION OF THE PROMOTOR AND ADMINISTRATION OF THE PROMOTOR ADMINISTRA

FEBRUARY 10-11 **Global Custody**

A practical overview of the many operations involved in Global Custody including Stock Borrowing and Lending Essential for all those working with recurities and investments. Contact Investment Education ple. Tel: 061-833 9656 Fax. 061-834 8050 LONDON

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Convened by The Centre For Foreign Investment & Privatisation, Moscow, Petroleum Intelligence Weekly and The Royal Institute of International Affairs. Sponsored by Bankers Trust Company, ENI, Price Waterhouse and Shell International. Enquiries: RIIA Conferences. Tel: 071-957 5700. Fax: 071-957 5710.

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INTERNATIONAL FEBRUARY 10 & 11 1993

Europe - The Way Forward The aim of the Forum is to look at growth prospects in Europe, the framework for economic and monetary policies, as well as trade and competition policies and the industrial challenges and strategies. Enquiries: Financial Times. Tel: 071-814 9770. Fax: 071-873 3975/3969.

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FEBRUARY 15-17 EC - India Business Partnership

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debts are proved. Deted this 21st day of December 1992 A Haji Rossos

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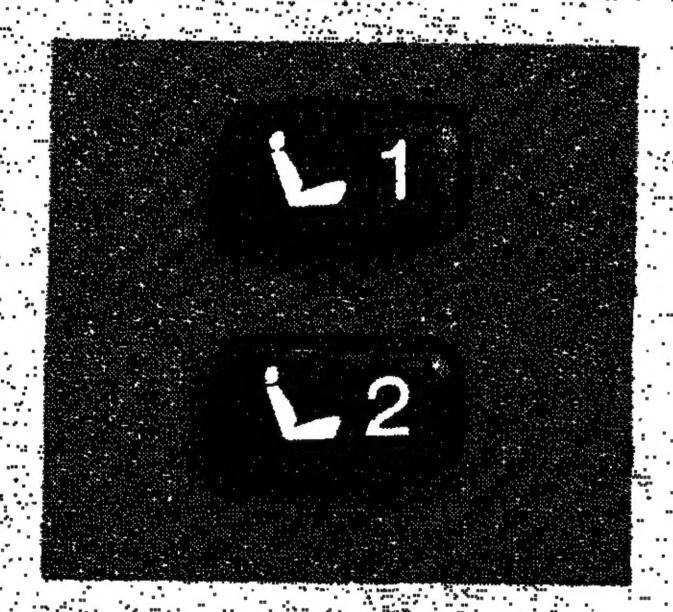
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Although we all know men and women are made differently, Lexus is the first car to have spotted it.

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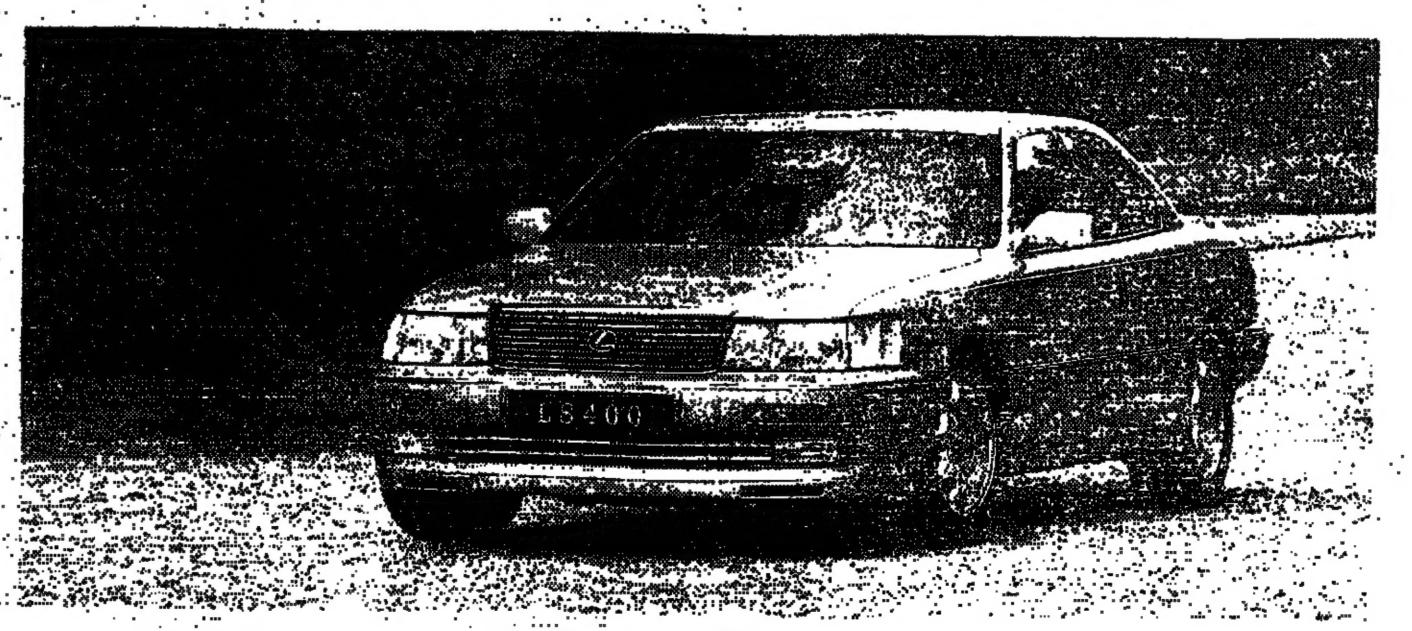
5 3 E - 1



Sit behind the wheel of a Lexus LS400, press a button and it recognises you. It adjusts the seat, the steering wheel, the outside mirrors, the safety belt and the headrest to the positions you've told it you like. It's the same but different story when your spouse gets behind the wheel and presses the other button.

But why is Lexus the first luxury car to come up with such a refinement? After all, comfort has always been highly individual. The answer is probably because the LS400 was built from scratch. And having a blank sheet led to clearer thinking about what it takes to make a car supremely comfortable. (It also led, incidentally, to Lexus having to take out hundreds of patents.) It meant instead of compromise and bolt-on solutions, Lexus could start at the beginning. With, for instance, a body design that's more aerodynamic than even many sports cars. With a pioneeringly sophisticated suspension system, to iron out life's little ups and downs. With a whispering 4.0 litre, V8 engine, seated, not on conventional solid rubber mounts but on vibration minimising fluid filled mounts. With a gearbox which, because it's computer controlled, produces gear changes which are barely perceptible. And with a fanatical resolve to eliminate noise.

Then we moved into the cabin and started to attend to the kind of comfort details which endear the LS400 to men and women, driver and passenger alike. There's the supple softly wrinkled leather upholstery, and the California walnut trim. There's the air-conditioning system which quickly, but very quietly, creates your ideal climate. And there's silence. Unless, that is, you turn on the seven speaker CD system and listen, for once, to your favourite music without any unmusical accompaniment from the car, or the road, or the world outside. But why not experience the LS400 by visiting a Lexus dealer? You'll soon spot the difference between the LS400 and traditional luxury cars.



AT FIRST glance, it seems quite like old times. Almost all the well-worn international warhorses have just reappeared on parade, or will do so during the next 12 months. In the front rank, as for the past decade, stand one Canadian, Henry Mintzberg, and four Americans: Rosabeth Moss Kanter, Tom Peters, Michael Porter, plus the captain of them all. Peter Drucker. They are now accompan-ied by an old British hand, Charles Handy, who has been accepted as an international leader only in the last 18 months.

But behind them, things are stirring in the lesser ranks.

Struggling to be noticed, and succeeding handsomely from time to time, is a fresh breed of warriors with a more focused approach to business warfare.

Most of them are also Americans, such as David Nadler, Peter Senge and George Stalk. But they also represent a rather broader smattering of nationalities, including - appropriately for the guru business several Indians.

Military metaphors are more appropriate than one might think for the world of business gurus. True, the rivalry between them for fame and fortune is decidedly cerebral, and most go to great lengths to be polite about each other - in public, anyway.

Many of their ideas also overlap. Most agree on the changes being wrought by the growth of "knowledge-based organisations" (in Drucker's phrase) and by the accelerating pace of change in every aspect of business, including the need for managers and other employees to be "liberated" (a Peters-ism) from the bureaucracy which often stifles companies.

But some clashes of approach will emerge with a vengeance in 1993, to a degree which could create a real battleground around one particular book next autumn (see right).

Battle is certainly the right word for the commercial jostling going on between publishers to promote their younger authors as tomorrow's Moss Kanters, Handys, Porters even perhaps Druckers.

The redoubtable Drucker, who at the age of 83 is still producing a new book a year, has already sold 80,000 copies in the US of this year's Managing For The Future, 90,000 in Japan and more than 40,000 in its UK edition. Tom Peters, whose fatter blockbusters now tend to appear about every five years, is thought to have chalked up over 750,000 copies just in the US of his last book. Thriving on Chaos (1987). His new one, Liberation Management, hit the ground running on its publication a few weeks ago.

These days, book sales are only the base of the guru business. Way above them, in terms of dollars per What does it take to be a business guru? Christopher Lorenz finds the nature of the job is changing as the experts listen to their own advice

Warhorses on parade





which star old warhorses as well as

younger specialists in strategy.

marketing, technology, leadership,

human resources and so on. Many

Such activities can put even Euro-

pean academics on a similar level of

overall earning power as the busi-

nessmen-gurus (there are few

women as yet). The appeal of most

such people tends to be domestic.

But, as John Sculley has found

in the US, Sir John Harvey-Jones

in Britain and Alain Minc in

France, that does not make them

Meanwhile several of the best

are continental Europeans.





Famous gurus Peter Drucker, Charles Handy and John Sculley are generalists but David Nadler reflects a new wave with a more locused approach (pictures left to right)

A bumper year in store for books about business

udging the most internationally influential business books of any particular year is always a hazardous exercise.

But in 1990 they were probably George Stalk and Tom Hout's Competing Against Time, plus Richard Pascale's Managing on the Edge, which dealt with the challenging task of revitalising companies by making them "engines of inquiry".

In 1991 Peter Senge's The Fifth Discipline almost certainly took the prize; this focused on the formidable topic of systems thinking. as part of the broader concept of how to turn one's company into a learning organisation capable of adapting to - and even anticipating all the changes in its competitive environment.

Ripples from Senge's work have continued to spread this year, especially in Europe, where

hour of expended effort, soar videos

(selling at \$2,000 or more per cas-

sette), speeches and consulting.

With speech fees of \$25,000 a session

(or up to \$50,000 for Peters), plus US

consulting fees which can reach

several times a senior business pro-

fessor's salary of up to about

\$140,000, even a minor guru is mint-

In Europe such fees are lower, but

they can still propel a professor-

guru to several times his (rarely

her) academic salary. The Brussels-

based Management Centre Europe

runs an especially broad range of

conferences for top executives

it was published only last winter. A similar delayed impact has occurred in the US over the past 18 months with Charles Handy's The Age of Unreason, which first appeared in Europe in 1989.

Apart from the latest works of Drucker. Peters and Moss Kanter (with The Challenge of Organisational Change), one of the most internationally influential books published in 1992 was Corporate Culture and Performance. by Kotter and Heskett of Harvard, which shows how companies can be made more adaptive.

The new year promises to be a real cracker. Apart from the continuing impact of Peters (with his Liberation Management), and the new Drucker and Porter, the 1993 schedule includes Handy's The Age of Paradox, a new Stalk & Hout on Gaining Time, and a Henry Mintzberg attack on strategic planning.

One book awaited with special eagerness in the trade is Competing for the Future, by C. K. Prahalad and Gary Hamel. This will be the first book co-authored by these two professors, but as authors of a string of influential articles in the Harvard Business Review over the past few years, they have built an exciting reputation, which sparked an energetic publishers' anction for their signatures. It was won by Harvard.

With Mintzberg in support, the book will bring strategy back to centre stage after almost a decade. It will set the cat among the pigeons in two senses: by attacking the west's allegedly unimaginative strategic thinking over the past 20 years; and by challenging the current American obsession with "re-engineering" and operational improvement. It could also catapult the duo towards popular guru status.

known US and European academic names are thought to have almost trebled their earning power as speakers in recent years by signing up with an agency which made its name by acting for the original Star Trek crew and Vincent Price, the horror actor. Which is entirely

the mega-gurus. But what of the research and ideas behind all this mammon? The way things are shifting is evident from the events of the past decade. When business books first exploded into mass-market products

appropriate given the entertain-

ment value offered by the best of

in 1982, most business gurus were generalists. Their doyen, Peter Drucker, exemplifies the genre by his very stretching of its boundaries. Alone among the business gurus, he can range comfortably from advising on individual management styles and organisational culture right into macro economics, politics and society. He does so again with his latest book. Post-Capitalist Society, which will

appear in a few weeks' time. From the "soft", organisational end of the spectrum. Charles Handy comes closest to him, but would not pretend to Drucker's economic

expertise. At the "hard" end of the spectrum, Harvard economist Michael Porter plunged into the world of business strategy and transformed it before broadening his field still further by turning to the competitive advantage of nations. His latest foray has been into the US capital investment system, the subject of a

big book next autumn. Like Handy, Moss Kanter and Peters use society as a backdrop to investigate the shifting nature of business organisations.

Apart from Japan's Kenichi Ohmae, the list of today's megaguru generalists stops there. By contrast, most recent books have plunged into detail about only one or at most two of these areas.

Whereas much of the focus in the mid-1980s was on business strategy including globalisation, product differentiation and alliances almost the only outstanding strat-egy book of the last few years, other than Ohmae's, has been Pankaj Ghemawat's Commitment - The Dynamic of Strategy (1991).

Instead, the main focus of most business books since the late 1980s has been on organisational issues. They have ranged from a spate of works on quality to a rush on the management of change. Since 1991 there has been a veritable flood on "organisational architecture" "business process redesign", and various aspects of so-called "organisational re-engineering".

This shift of emphasis by so many writers is no coincidence. It reflects two trends. The first is the growing preoccupation of business people with the difficulties of implementing strategies, and with the urgent need to make their organisations more cost-effective and responsive to customers.

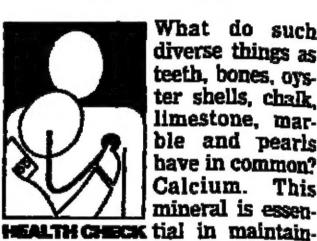
The second reason is what one might call the coming-of-age of the business books business. As industries from cars to fast food have matured, business academics have advised them to "segment" (speci-

alise) their markets more. . The academics are now applying the same formula to themselves. partly to create more demand, and partly in response to the growing sophistication of the customer. Thanks to all the generalist literature of the early and mid-1980s from In Search of Excellence to the One Minute Manager series - most managers have learned basic concepts, and want to focus on the complexities of how really to make

things happen. That, with the exception of the mega-gurus, is why most books now tend to be relatively specialised. But it will also make it harder for the new generation of authors to ring the changes often enough to be able to return to the battleground with a string of best sellers. To be a true

guru, you have to do that.".

Go to work on some calcium



What do such diverse things as teeth, bones, oyster shells, chalk limestone, marble and pearls have in common? Calcium. This mineral is essen-

ing bone density. nerve transmission, heart beat regulation, muscle contraction and blood clotting. Moreover, researchers are find-

ing increasingly important roles for calcium, notably with regard to heart disease. More than 95 per cent of the body's calcium is in the bones. One's need for calcium

increases steadily through adolesence. Between the ages of 20 and 40, calcium increases hone density and thickness. Osteonorosis, or "porous bones", is a gradual loss of structural minerals (decalcification) which begins in adulthood and progresses with age.

If you are worried about osteoporosis, consider these measures: Take regular exercise. A 30-30 minute walk three times a week will help to keep your bones strong and healthy.

 Don't smoke. Have only moderate alcohol and coffee consumption. If you are a woman, discuss

estrogen hormonal replacement with your doctor. Increase daily calcium intake. Calcium-rich foods include lowfat skimmed milk, yoghurt, cheeses, leafy greens, canned salmon, sardines with bones, kale, broccoli and tofu. Avoid aluminium-containing

antacids. Avoid eating excessive pro-

If you feel that you are unable to get enough calcium, either because of insufficient intake or excessive loss - through drinking of alcohol and coffee - you could consider calcium supplements. However, as extra calcium intake can be associated with kidney stones, check with your doctor before beginning such a regime.

Dr Michael McGannon The author is the medical director of the Insead Business Health

course.

weekend's FT comes wrapped in some special paper.

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JAPANESE FINANCIAL MARKETS

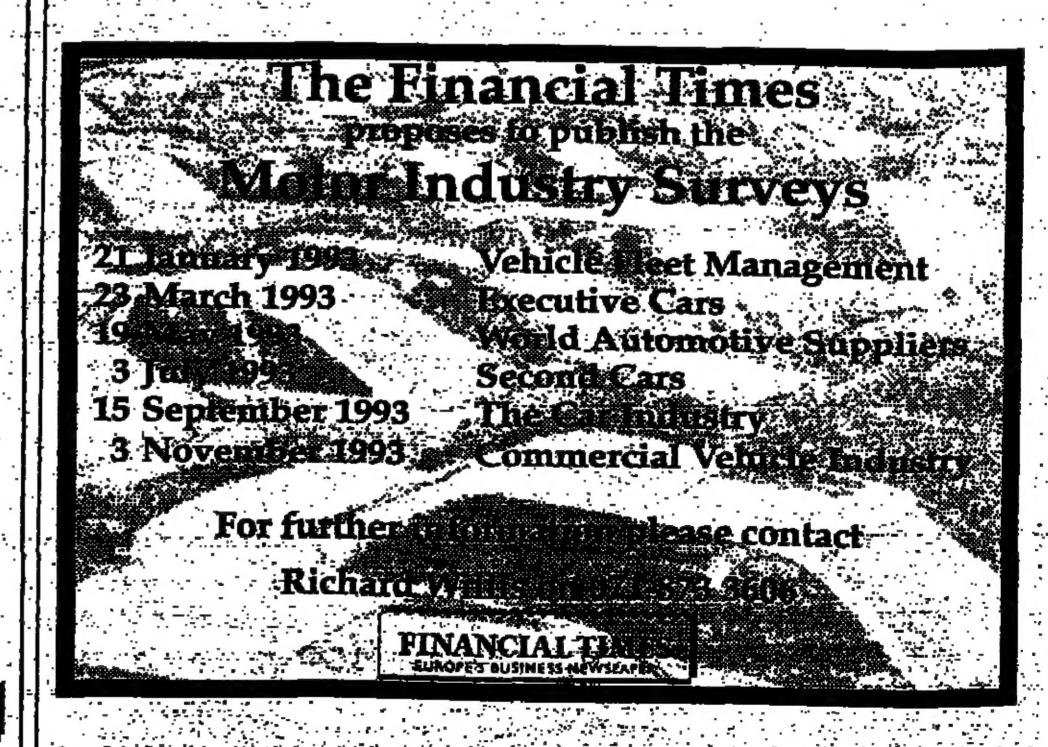
Japanese markets like their European counterparts have been hit by the current world recession but Japan remains a major economy with enormous potential. In a special survey, the Financial Times reports on the latest developments affecting Japanese

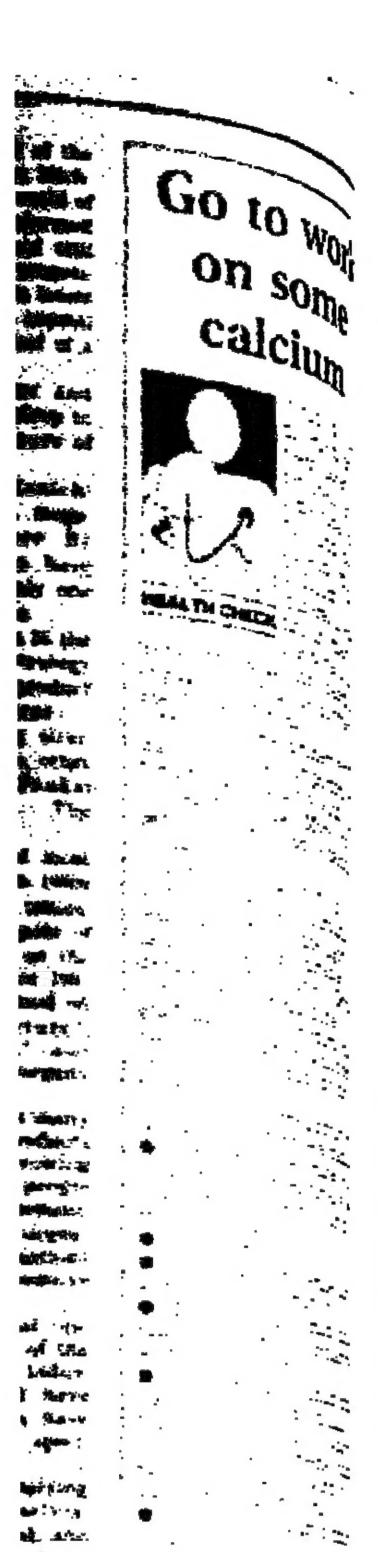
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Is this the way your international advertising agency handles your international business?

A Battle Royal

More often than not, that's what the running of an international advertising account turus into.

What begins as a noble corporate goal—"one campaign for all markets"—is wounded country by country.

It dies the death of a thousand cuts, unrecognisable as a single campaign.

Many advertisers are feeling increase.

Many advertisers are feeling increasingly frustrated.

Especially as 81% of Marketing Directors working across Europe are trying to standardise all of their Pan-European advertising.

And 70% of advertising business put up for pitch in European markets in 1990/91 was reviewed not nationally but throughout Europe.

Yet, of the clients who believe in this transnational way of working and are now striving to achieve it, only 18% feel

that they are being completely successful.

This should come as no surprise.

They want to improve their single

They want to improve their single, cross-border creative message but their advertising agencies seem unwilling or unable to help.

These days, client companies, more than their international agencies, recognise that "Consumer Convergence" is becoming not just a wishdream of marketing men, but a true phenomenon.

It has been accelerated by increased travel, improving communications technology, global fashion trends and – by legislation – through the EC.

More people in more countries have the same fundamental requirements of the products they buy.

Which is already leading irrevocably to the need for a single transnational advertising strategy and just one creative execution for individual products.

However, existing international agencies still duplicate their services in every location. With domestic profit and agency ego getting in the way of transnationalism.

Hardly surprising then that every local CEO, Creative Director and Account Director, of a supposedly unified international agency, has it in their interest to say "We didn't invent it; it won't work here; let's do our own thing."

A resounding defeat of a client's objective, if ever there was one.

Yet this is the path most global multinational agencies have trod for the last 40 years. And they'll find it virtually impossible to change their structure to keep pace with their clients' needs.

On October 1st 1992, a better way of working became a reality.

On that date CME-KHBB opened up its doors in London, Paris, Milan, Frankfurt, Brussels, Madrid, Zurich, Minneapolis, New York, Hong Kong and 26 further offices around the world.

It is the coming together of two highly respected advertising agencies – Campbell-Mithun-Esty of the USA and KHBB of the UK.

We already handle such clients as Alcatel, 3M, Pillsbury, Honeywell, Allied Lyons, Chrysler, General Mills, Carlsberg, Texaco, Reckitt & Colman and Uniroyal.

And together we make up the 17th largest agency network in the world with billings of over \$1.2 billion.

But, as we've intimated, this is no ordinary network.

CME:KHBB is structured as a worldwide network of "Hubs" and "Spokes."

The Hubs will provide the strategic planning and outstanding creative talent to develop transnational advertising and relay it to the Spokes.

The Spokes will provide essential local input to the Hubs at the initial strategic stage, then tailor the transnational theme to local requirements faithfully and sympathetically without re-inventing the wheel. (The Spokes are there strictly to service the Hubs. They will not pitch for "domestic only" business.)

The Hubs think global.

The Spokes act local.

We're one agency acting as one agency, in the truest sense of the word.

No other network ever set up in the history of advertising has been able to offer its clients such consistency or strength of purpose.

Because we are born of the reality of the 90's, CME-KHBB doesn't carry the baggage of duplication and the cost base of multinational agency history.

You may have been bloodied already on the battlefield of existing international agencies.

Or you may simply want to avoid the expensive, time-wasting and wearisome experience altogether.

In either case, you should investigate CME-KHBB further.

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PEOPLE

Wambold spearheads Lazard's international corporate finance

Ali Wambold, a partner of New York's Lazard Frères & Co, has been given the task of spearheading the international corporate finance business of its London relation, Lazard

Brothers & Co. Wambold, 38, who is responsible for UK and European investment banking for Lazard Frères, has been based in the London headquarters of Lazard Brothers for several years, and will continue as chief executive of the New York firm's London

However, his appointment as a managing director of Lazard Brothers, with "particular responsibility to lead the firm's international corporate finance business", is a further sign that the three Lazard banking houses - in New York, Lonincreasingly closely together. Although all three firms have been successful in their home markets, the growing amount of international corporate finance work has resulted in a need for better co-ordination. David Verey, chairman of Lazard Brothers which is 50 per cent owned by the Financial Times' parent Pearson. says that Wambold's job is

"message rather than the title"

that Wambold, who descended from the old Persian royal family, had become "very much part of the firm" and had "great energy, guts and go".

Wambold started his investment banking career on Wall don and Paris - are working Brothers and then Lazard GULF CONSTRUCTION (UGC) Frères where he helped found Corporate Partners, a \$1.6bn investment partnership which takes friendly long-term stakes in major companies. Included among his outside directorships is a seat on the board of Albert Fisher.

Lazard Brothers has also announced the appointment of the following executive directors: John Collins, Anthony Coveney, Federico de Giorgis new, but adds that it was the Keith Jones and Nicholas which was important. He said Shott_

Like Robb, MacLeod, 57.

worked at a (different) firm of

Aberdeen solicitors on the

investment management side.

He has since become a free-

lance company director, among

other things chairing Britannia

Life as well as being deputy

chairman of Grampian TV. He

is stepping down from the oil

chairman of the Grampian

The company, which is head-

quartered in London and

whose interests are presently

entirely in the US, has recently

company, having been made

Health Board.

Robb joins Aberdeen Petroleum

George Robb, who has just resigned as chairman of Aberdeen Trust, is taking over the chairmanship of oil and gas producer Aberdeen Petroleum. a USM-quoted company he helped found in 1981. He succeeds Calum MacLeod, who has been the company's only

chairman to date. Robb, who remains on the board of Aberdeen Trust, says that Aberdeen Petroleum "suffers the problem shared by many small oil companies. namely that they are perfectly healthy but are just not big enough to generate any interest among the institutions. One of the challenges for me is to raise our profile."

made an approach to - and been initially rebuffed by fellow-USM company Brabant, which is focused in the UK. request just one week earlier

Alliance Resources

Norris Harris has resigned as a director of Alliance Resources, the struggling US-based natural resources company quoted in London. Harris had been appointed managing director of Alliance in October following the unexpected dismissal of chairman John O'Brien. Receivers were called in to Alliance by Manx Petroleum, of which O'Brien is also managing director. At the same time, directors of its main operating company in the US including Norris - filed for bankruptcy protection under Chapter 11. O'Brien has since been reinstated as Alliance chairman. Harris's resignation came as a surprise to the Alliance board. He had filed a cial advisory group.

to run the group's exploration and production arm, although this had been rejected by Alliance's creditors.

LIT Holdings

■ John Ruth has been appointed chairman and chief executive officer of LIT America. the US futures broker owned by LIT Holdings, having previously served as president and chief operating officer. He replaces David Vogel, who has left the company to take up a position at a US securities firm. Stephen Balsamo, chief

financial officer of LIT America, has been made a vicechairman and has also been appointed to the board of LIT Holdings. LIT Holdings also owns Johnson Fry, the finan-

BUILDING CONTRACTS

Malaysian airport

ANGLO JAPANESE AIRPORT CONSORTIUM has been awarded the £25m contract for the design and engineering development of the new international airport for Kuala Lumpur at Sepang by the Malaysian Government.

The consortium comprises

Balfour Beatty, the construction arm of the BICC Group, GEC-Marconi, Trafalgar House Construction together with Gammon of Hong Kong, and Marubeni Corporation of Japan. It will shortly complete the masterplan study for the new airport, which was awarded in February this year, for which BAA in conjunction with JAC of Japan were lead

consultants. Construction of the permanent works is expected to start on site in July 1993: The Malaysian Government has identified and safeguarded a 10,000 hectare site for the airport near Sepang, some 50km to the south of Kuala Lumpur. The airport is scheduled to open in 1997.

The detailed engineering and first stage construction of the airport will include two runways, terminal buildings and associated infrastructure. The masterplan for the air-

port includes proposals for a road and a dedicated rail line to Kuala Lumpur. It is intended that the project should be funded by a mixture

Group Limited DEBICH WAS BUILD SPECIALIST WORKS Hall & Towne Group Limited same Road, Mackworth, Derby DE21 4NB

of private and public finance. AJAC are employing Sir William Halcrow & Partners together with Malayslan engineering companies - HSSI, SSP and Ranhill to carry out the design work.

Architectural design will be carried out by Akitek Jururancang together with Kisho Kuro-

Restoring infrastructure in Kuwait

As part of the Kuwait structed with the aid of Iseki reconstruction programme fol-Street, first with Lehman lowing the Gulf War, UNITED has been awarded what is believed to be the largest ever microtunnelling project in the Middle East, and probably the

> The UGC contract, worth in excess of £1m, comprises more than 70km of sewer pipe and pipe refurbishment of which about 4.5km will be con-

world.

microtunnelling systems. The works, designed by Associated Consulting Engineers of Athens, Greece, mark the start of the rebuilding of Kuwait's underground infrastructure.

The company is purchasing three Unclemole slurry-shield microtunnelling systems from Euro Iseki of Stratford-upon-Avon. England. Approximately 40 per cent of the microtunnelling work will be to install 250mm i.d. sewers. Specially designed clayware jacking pipes for the sewer are being manufactured and supplied by Naylor Bros. (Clayware) from the Denlok range.

Work has commenced on the project, and will be subject to a continuous programme of method assessment. The Iseki packages and Naylor Denlok pipes will be delivered next

Birmingham rail development plan

The Passenger Transport thorns (£1.5m) and Smethwick Authority has accepted tenders totalling £14m to carry out civil engineering work on a

new cross city rall link. TRAFALGAR HOUSE CON-STRUCTION has been awarded a contract worth £7.7m to carry out bridgework and prepare the track formation for the four mile rail route from Birmingham Snow Hill to Smethwick. KIER CONSTRUCTION. MOWLEM (MIDLANDS) and AMEC CIVIL ENGINEERING have won the contracts to build new stations at the Jewelley Quarter (£2m), the Haw-

Galton Bridge station (£2.9m) respectively. Contracts to carry out track, signalling and associated works will be let at a later

The £23m project will create a Stourbridge/Worcester to. Stratford /Leamington cross city link via Snow Hill and Moor Street. The Transport Authority is using £15m of its own capital receipts, backed by a £5m European Community grant and £3m from Regional

Railways to finance the proj-

With an extra 40,000 passengers a week expected to be attracted by the link, extra passenger income means that the scheme will pay for itself within 15 years. The project will link the Jewellery Quarter and West Bromwich to the rail network and improve reliabil-

ity for Stourbridge commuters. It will also ease capacity problems on the Wolverhampton/New Street line, so that plans for a new station to serve the National Indoor Arena and ICC can be developed. The link is expected to be open by sum-

£7m hospital work for Higgs & Hill

HIGGS & HILL companies have been awarded hospital contracts worth a total of £7m in Norwich, Tameside, Bradford, Wolverhampton and Worthing.

Higgs & Hill Bast Anglia has been awarded a 28m contract by the East Anglian to construct a three and four-storey building in the grounds of the University of East Anglia, in Norwich.

Higgs & Hill Northern is to undertake £1m of refurbishment and new build work to create an integrated paediatric unit at Tameside General Hospital for the Tameside and services centre. Glossop Health Authority.

- Higgs & Hill Northern has also been awarded two further contracts, worth £1.4m, adding to the extensive programme of work it has already undertaken at St Lukes Hospital in

Bradford. One of the contracts is to be undertaken in joint venture with Haden Young. The first contract is a satellite building to house a new

The second contract involves the construction of a satellite building to create a staff restaurant, snack bar and coffee bar within the new extension to serve the rest of the hospi-

Improving Brighton's sewerage system

When you're lying on Brighton beach next summer put your ear to the shingle and listen carefully: 30 metres below you sophisticated tunnelling equipment and dozens of construction workers will be carving a cathedral-like cavern out of the

When completed, you will be able to drive a double-decker bus through the six metre diameter and five kilometre long tunnel, which will stretch from one end of the beach to the other - from Brighton marina to Hove.

Technology similar to that used in the Channel Tunnel

will be employed to excavate the £30m tunnel, which is designed as an overflow for Brighton's wastewater system. to be used in heavy storms. Although the primarily Victorian sewerage system serving Brighton and Hove is still in

excellent condition, there is a risk of overflow into the sea during particularly heavy rain. The tunnel will eliminate this risk by collecting and storing the excess wastewater, which after the storm will be pumped to the treatment works for normal treatment.

The tunnel's storage capacity will be 123,000 cu metres or

about 26m gallons. The main - entry point for tunnelling will be at Black Rock to the east of Brighton and will be extended westward to Hove. Four dropshafts will be constructed on the foreshore to interecept storm overflow discharges.

Contracts are expected to go out to tender this week and work is expected to take three years to complete.

The tunnelling project is part of a programme which will see Southern Water investing more than £3m each week for the next 10 years on a large number of projects throughout its supply area.

CONTRACTS AND TENDERS

THE REPUBLIC OF HUNGARY

The Municipality of the City of Budapest

The Ministry of Transportation Communication and Water Management

invite international contractors to tender for the first section of the DB-R line of the

BUDAPEST METRO

The subject of the render includes the design, construction and commissioning of the line, the supply of all equipment and the submission of a full financing package. Components of the project include the following:

- two 5.4 km single track deep level tunnels
- a single track tunnel to a vehicle park a depot and maintenance workshop
- all rolling stock, signalling and fixed equipment

The tender documentation can be obtained at a cost of US\$4,000, payable request for the documents, from the 21st December 1992 at the following address:

> METROBER (for attention: Mildos Stanga) Hungaria korut 46 H-1143 Budapest Hungary Tel: (36-1) 252-2296 Fax: (36-1) 251-6290 Telex: 226817 metro h

The closing date for tender submissions is 19th March 1993.

The Ministry and the Municipality have appointed Hill Samuel Bank as their. Financial Adviser and they may be contacted at the following address:

HILL SAMUEL BANK LIMITED (for attention: Julia Prescot/Here van Wyk) 100 Wood Street London EC2P 2AJ United Kingdom Tel: (44-71) 628-8011 Fax: (44-71) 796-3277 Hill Samuel Bank is a member of The Securities and Pusures Authority.

Further information can be obtained from any of the above addresses.

OIL & GAS DEVELOPMENT **CORPORATION PAKISTAN**

Invitation for prequalification of Turnkey contractors for Qudirpur Gas Field Development Project.

Oil and Gas Development Corporation (OGDC), a statutory corporation of Pakistan, the Operator for Qudirpur Joint Venture is undertaking a development project at its Qadirper Field under World Bank financing. The field is located in the north of the Sind Provence, some 60km north of Sulder.

The project inter-alia includes the installation of a gas aweetening plant (CO₂ removal reducing CO, content from 6.5 molts to 2.0 molts) and extensive pipeline gathering system with more than half the wells located on the River Indus flood plain. The facilities are required to produce upto 340 MMscfd of sales gas plus a nominal quantity of condensate (170 bpd) and 1500 bpd of water with a system for water disposal considering the environmental impact.

ABB Global Regineering Limited, UK have been engaged to provide engineering Consultancy Services including process selection, basic engineering and EPC tender preparation/bid evaluation for the Qudirpur Gas Field. Development Project.

Reputable general contractors who are capable of performing detailed engineering, manufacturing, supply, installation, testing, and commissioning of the place, utilities and all offsite facilities and who have successfully performed the same kind of work in the recent past, are invited for pregnalification as turnkey contractor for this project.

Prospective contractors may obtain the prequalification (PQ) document on or before 6 James 1993, from either of the following on payment of non-refundable fee of US Dollars 1000 (for purchase in UK) of Rs 25000 (for purchase in Pakistan),

Mr M Ratio Project Co-ordinator - Foirst Venture
Oil and Gas Development Corporation M-14 Building, Market F-8 Idemaked Pakisten Telephone No. 252376 Telex No. 5692 OGDC PK MrS K Shah

ABB Global Engineering Limited South Point Sunon Court Road Storey SM1 472

Telephone No. 081-395 8000, Telex No. 2633 10 GLOBUK G

Packlo 081-395 8001

Tacklo 081-395 8001

Its for submission of PC proposals by the prospective contractors is

4 February 1993.

Martyred to concrete

Colin Amery samples the architecture of Jean Nouvel

DELPHIC utterances about the future of the world ring out in the darkened galleries of London's Institute of Contemporary Arts, as 12 flickering videos and a multi-screen of giant alides evokes the world of the current darling of French architecture Jean Nouvel.

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THE REAL PROPERTY.

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at the Season

Malanies I

for Higgs & H

M. Nouvel, aithough he was only born in 1945, is an architectural agent provocateur of the old school. He is pleased to be described as ruthless and is one of those architects who tells the residents in his buildings exactly what colour their walls and blinds are to be. One of the video presenta-

tions shows the bare concrete walls of some public housing that Nouvel designed and the subsequent treatment of the same walls by the tenants...I am sure the ICA hopes we will all side with the artistic purity of the architect, but I was entirely on the side of the bulvelopment plan lied tenants who did not want to live in monastic cells, martyrs to the cause of varnished concrete

> Jean Nouvel's best known building is L'Institut du Monde Arabe on the left bank of the Seme in Paris, the first of President Mitterrand's Grands Projets. It is a beautiful and ingenious creation. The element of the building that has become famous is the south wall which is a modern version of an Arabian screen. This is not built of stone, but of steel and glass, controlling the light entering the building by means of elaborate moving parts.

Opening and closing diaphragms that work like the eyes of a camera also compose themselves into traditional geometric patterns.

A great hypostyle room in the building is reminiscent of the great mosques of the Islamic world. Nouvel's success in this building is to have linked two cultures, both visually and technologically, in an apparently simple way. A

ine years after a

panel from the facade of the institute is on show in the ICA which looks both beautiful complex and expensive. Right key buildings are dis-

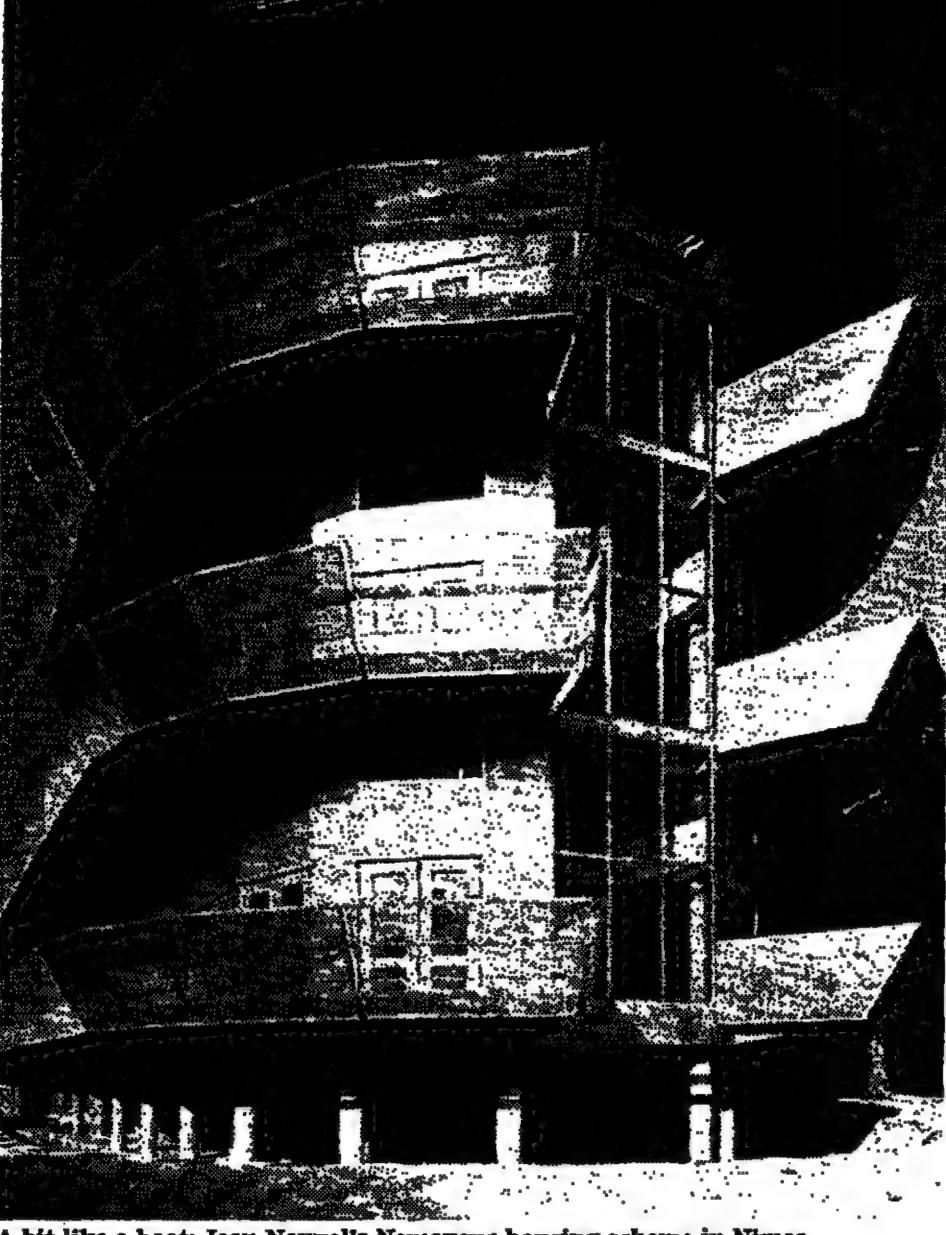
played in the exhibition, all shown in slide and video form with little comprehensible commentary. This perverse way of exhibiting has been devised by the architect himself. He designed a similar exhibition in Paris a few years ago, in an attempt to convey his belief that architecture and cinema are closely related.

Architecture does indeed exist as part of a dimension of time and movement and I am inclined to agree that much of the architectural experience is to be enjoyed as part of a movement through a succession of spaces. However, Nouvel tells us this as though Baroque, Mannerist and indeed Gothic architecture had never

The eight buildings show the range of Nouvel's work. His public housing. Nemausus in Nimes, resembles a boat with staircases and balconies ranning around the outside of the "hull". The architect explains the appearance as "drama and narrative of voyage where space and light contributes to the dignity of each dwelling". Of course ...

It is possible to enjoy the full Nouvel cuisine by staying at one of the hotels he has designed. The Hotel les Thermes at Dax in France is a simple glass box covered in wooden shutters, "the narrative of light and shade ... More interesting is the Hotel

Saint-James on a hillside site overlooking the Garonne in Bordeaux. Here the modern sets of rooms are clad in rusting metal duckboards so that the whole complex resembles the tobacco drying sheds of the area. The hotel rooms are simple with waxed concrete walls and plaster. The sensual gratification comes from the food of



A bit like a boat: Jean Nouvel's Nemausus housing scheme in Nimes

the brilliant young chef, Jean-Marie Amat, who commissioned this hotel at Bouliac. One room at the ICA is furnished with chairs and tables by Jean Nouvel where you can immerse yourself in the Nouvel experience by reading every known article and book about him: It is important not to miss two projects. The giant Tour Sans Fins the tallest and

will soar transparently against the skies of Paris, alongside the arch at La Defense, to a height of over 420 metres. The renovations of the Lyons Opera House will open next spring. and they show a sensitivity to the old house as well as some exciting additions.

Apart from the pretentiousness of this exhibition it demonstrates that Jean Nouvel is an interesting architectural fig-

ure. His work is beautifully executed and sometimes original and he draws upon a rich range of contemporary cultural experiences. The work has a confidence and pragmatism that is admirable.

Jean Nouvel Emmanuel Cattani et Associes, Institute of Contemporary Arts, The Mall, London, SW1

until February 14

Barbican/ Malcolm Rutherford

Hamlet

body thinks and broods,

about this court is that every-

The symmetries come out in

the language as well. Horatio's

"Good night, sweet prince"

echoes Ophelia's earlier "Good

night, ladies." Every word

counts, every word fits. The

sets by Bob Crowley never

intrude too much. Only once

does Crowley go for the spec-

mark turns out to have its own

red and gilt theatre for private

performances. At the front of

the stage is a slightly over-

grown miniature cometery. It

serves for Ophelia to pick her

There are innovations as

well as fidelities. In the play

scene. Kenneth Branagh's

Hamlet takes the word

"merry", which is how Ophelia

describes him, literally. He

appears to be drunk. And when

the play within the play

reaches a climax. Hamlet com-

mits the crime himself. When

he declines to kill Claudius

while the king is at his

prayers, he leaves his sword

behind for Claudius to see. He

plays the early part of the nun-

nery scene with Ophelia as if

he genuinely wants her to be

looked after; only when he

senses the presence of Polonius

There are some magnificent

details. One incident requires

no words, but speaks volumes

about Horatio (Rob Edwards).

does he become rough.

tacular when the court of Den-

Adrian Noble's new production of Hamlet at the Barbican must be among the best you are likely to see. One of the main reasons why is that Noble plays the text in full - the performance lasts 4% hours. As a result, not only do you learn more about Hamlet the man, but also about the society in which he lives.

It is only possible to mount a production like this if you have supreme self-confidence. Noble has confidence in every word of the text, in the actors, in the designer and above all in his own ability to see the play as a whole. He directs Hamlet as if it were a symphony with some startling changes of pace and an eye for detail down to the smallest player. It is a very moving play, to be sure, but this is the first Hamlet where you might be tempted to weep at the death of Gertrude.

One of the most notable is Polonius and his family, Although there is no mention of a mother, it is obviously a happy one which knows its place in the court: below the rovals, but above much of the rest - hence Ophelia's Christian burial.

David Bradley's wonderful Polonius is not a buffoon, but a well-educated civil servant plainly regarded as efficient by the king. When Hamlet says of him in front of the players "He's for a jig or a tale of bawdry, or he sleeps", we know that the prince is being unfair. Polonius also has genuine fears that his daughter is getting out of her depth by being wooed so close to the

The first time we see Ophelia Joanne Pearce) she is in a nursery bedroom, with an upright plano, painted in nursery colours, in the background. She is a young girl growing up and only beginning to use powder and paint. Only a few signs, but there are enough, give a hint of future turbulence. Ms Pearce knows how to conserve her energy: the mad scene when it comes is devastating.

Hamlet refers to the symmetries himself when he says of Laertes "For by the image of my cause I see the portraiture of his" - another family broken up. And even Claudius, in lines that are sometimes cut. acknowledges that the Queen has removed herself from him, "But that I know love is begun by time..." The remarkable fact

He may be a learned man and a good friend of Hamlet, but he is not at home in evening dress. Look at the way he wears the waistcoat and tails which have clearly been hired for the court dinner.

Then there is Osric, played by Guy Henry who will be remembered for his Ananias in the RSC's splendid production of The Alchemist. This is not the customary fop, but a court ier of some dignity capable of standing up to Hamlet's insults and discharging his duties.

In almost any other production, one would have discussed Hamlet first, and indeed Branagh's performance is faultless He looks young, has short hair but I suppose Hamlets are get ting younger. There is no doubt of his love for Ophelia but he is also capable of being cruel and arrogant. He is perhaps not quite as different from the rest of the court as is sometimes supposed. The principal triumph, however, is not to steal the show.

Only two quibbles. It is surprising that in the line "Madness in greatness must not unwatched go" Noble allows the word "unwatched" to be pronounced as if it had only two syllables. And judging by the sound effects, Hamlet appears to set off for England by train. The production is financially supported by Uni-



Faultless performance: Kenneth Branagh's Hamlet

Opera in Paris/Ronald Crichton

most slim tower in Europe. It

Saint François d'Assise

tentative first production at the Palais Garnier, Messizen's only opera returns to Paris. Not to the old home but to the Opéra Bastille, in a new and radically different staging by Peter Sellars, first seen at this year's Salzburg Festival. The cast, headed by José van Dam in the title-role, is the same except for Robin Leggate who now sings Brother Elie. The Paris Opéra chorus and orchestra are conducted by

Sylvain Cambreling. Sellars, who was able to discuss his ideas with Messiaen before he died, has modified the staging given at Salzburg in the picturesquely problematic Rocky Riding School to suit the Baalsoe stage, still large but normal in shape and fully equipped. The set by George Trypin, with a great chapel-like structure of skeletal wood and a slanting panel of neon tubing flashing on and off with (though you might not immediately guess so) Fra Angelico colours, looks very fine. The by now notorious TV sets described by David Murray after Salzburg are very much in evidence, flickering and blinking, eclipsing a shy little board with French and English surtitles. Sellars has

work.

said that the flickering motion Otello. Surely what matters is, relates to mystical experience on Messiaen's chosen ground. does it work in the theatre? a daunting prospect. After hearing the live record-Sometimes the screens dising of the original production I tract because one cannot see what is on them, sometimes felt that although he had little inborn theatre instinct, in cerbecause one can. In the Sermon to the Birds anyone who tain scenes (the Leper, the Angel as musician and the likes feathered friends is sorely

tempted to stop listening and go bird-spotting. Most of the Anyone who likes screens are arranged in a doufeathered friends is ble frame round the proscenium arch. Those on stage, dissorely tempted posed in various ways, too stop listening and go often make it hard to distinguish principals standing in bird-spotting front of them. With too much light directed at the audience

the singers' facial expression is at a discount. In spite of vari-Stigmata) Messiaen reveals ous aggravations, when the himself as a musical dramatist of considerable power. Having magnitude of the problem is taken into account, this is an now seen his opera on the stage I am tempted to modify impressive staging of a major that to "musical dramatist of but extremely demanding an in every way exceptional It is futile to engage in dis-

cussion as to whether or not In the theatre the four hours Saint François is "really anof music seemed even longer opera". It is not, and was not than on record. The principal reason for that is the static meant to be one in the sense of Don Giovanni or Lohenarin or nature and almost uniformly

slow, hieratic pace and metrical sameness of the declamation. Here something unexpected happens. Messiaen is careful with the vocal lines, many vocal phrases, especially in the Saint's part, being unaccompanied, between instrumental outbursts. But increasingly, as the evening went on I found the words difficult to catch. Not the fault, surely, of this expert cast, nor I think in this case of the Bastille acoustics, but because the general pace is so far from the rise and fall of normal speech. Also because there was a miscalculation about the ability of soft singing and half-voice to carry in this theatre. They do not carry, and José van Dam, sen-

the later scenes, suffered with the rest. The exception was Dawn Upshaw, singing the Angel, the only solo woman's voice in the opera and as a result marvellously effective when done with such shining, secure tone

and such gentle humour. The

sitively suggesting François'

growing physical weakness in

role is now split into two, with a "dancing angel" to mime such episodes as the stigmatisation. She, unlike her androgynously clothed alter ego, is allowed a real angel's costume, with wings. One good point for the Bas-

tille acoustics: the multiple bird song, the clanking, clicking tuned percussion and the gurgling, swooping Ondes Martenot sound notably well. The Opéra chorus was magnificent; the whole array was finely controlled by Cambreling. One longs now to hear more 20th century French opera at the Bastille - including the announced and then cancelled Padmavâti of Roussel. Any hope? On the first night of Saint François quite a few people in the stalls drifted away. to be swiftly replaced in the next interval by enthusiasts from higher up (London please note: top prices for this production were about £62). Everyone listened devotedly - how things have changed in Paris in this respect! The applause at the end easily drowned a few boos for the production team.

Five more performances until December. Production shared with the Salzburg Festival and the Los Angeles Phil-

Barbican Hall/ Richard Fairman

Bruckner Eighth Symphony

It was a busy night at the Barbican. No sooner had the theatre audience for the new Hamlet (see above) vacated the fover than it was filled again by a capacity crowd gathering to go into the concert hall for Georg Solti's 80th birthday concert with the London Sym-

phony Orchestra. In fact, the evening marked a double anniversary. Although it had not been heralded in advance with much of a fanfare, the single item on the programme was a centennial performance of Bruckner's Eighth Symphony, first heard on 18 December 1892, Quite probably by chance, the event came as the culmination of an unusually high number of performances recently of this symphony: Andrew Davis precise

and ordered. Franz Welser-

Möst at Edinburgh noisily impassioned, above all Günter Wand creating a marvel of deeply-felt symphonic radiance at the Proms.

Like Wand, Solti has a life-

time's experience on which to draw. But his life in music has followed a very different path, leading him along cosmopolitan routes largely away from Austro-German territory, through the opera-houses of the world, taking in music from most national traditions. all of which has left a mark on the way he conducts in his years of seniority. He also set out from a dif-

ferent starting-point. The fiery young Hungarian has never entirely been exstinguished. This performance of the Bruckner was not hard-driven in the way that so often brought Soiti

criticism earlier in his career. momentously dramatised. Wand's performance had risen phal: a battle had been fought



BERLIN

OPERA/DANCE Deutsche Oper Tonight Zar und Zimmermann, Tomorrow: Die Zauberflöte.

Wed: Hansel and Gretel. Fri. also Jan 1: Peter Schaufuss' new production of Nuteracker. Sat and Sun, also Dec 31: Offenbach's Orpheus in the Underworld, Dec 28: Bejart's Ring Round the Ring. Dec 29, 30: Jiri Kout conducts Beethoven's Ninth. Symphony (3410 249) Staatsoper unter den Linden Tonight: concert of chamber

L'Africaine. Wed: Hansel and Gretel. Sat, next Mon: Daniel Barenboim conducts Busoni's Die Brautwahl. Sun: John Cranko's ballet The Taming of the Shrew. Dec 30, 31: Daniel Barenboim conducts Beethoven's Ninth Symphony

music by Hindemith and Kurt

Weill. Tomorrow and Fri:

(2004 762) Komische Oper Tonight, also next Mon: Entluhrung, Tomorrow and Fri: Giustino.

Sat Swan Lake, Sun: Cay and Pag. Next Tues: La boheme. Next Wed: Eine Nacht in Venedig. Dec 31, Jan 1, 3: Johann Strauss concert (2292 555) CONCERTS Schauspielhaus Tonight:

Alexander Rahbari conducts

Berlin Symphony Orchestra in

Elgar's Cello Concerto (Boris Pergamenshikov) and. Shostakovich's Fifth Symphony (2090 2261), Tomorrow: Handel's Messiah (817 3364). Wed: CPE Bach Chamber Orchestra plays works by Bach. Handel and Stamitz, Dec 31: Michael Schoenwandt conducts Berlin Symphony Orchestra in a concert of popular favourities (2090 2156)

SFB Grosser Sendessal Dec 31 at 14.00 and 17.00; Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra and Chorus in Beethoven's Ninth Symphony (3025 054) Philharmonie Tonight: Claudio Abbado conducts Berlin Philharmonic Orchestra In works by Lutoslawski, Berio and Rihm, plus Beethoven's First Plano Concerto with Maurizio Pollini. Dec 30, 31: Abbado conducts a Richard Strauss programme, with soloists Martha Argerich, Cheryl Studer, Kathleen Battle and Frederica von Stade (2548 8232)

THEATRE A new production of Ostrovsky's The Forest, directed by Thomas Langhoff, opens at Dautsches Theater tomorrow. The repertory also includes Hofmannsthal's The Tower and, at DT-Baracke, a new production of Sam Shepard's 1980 play True West

(2871 225). The Schaubühne repertory includes Last Summer in Chulimsk, a 1972 play by Alexander Vampilov about Soviet stagnation under Brezhnev, and Jacob Lenz's play Catharina von Siena (890023). Tickets and information for

theatre, concerts, revues and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

GENEVA

Alain Marcel's French-language adaptation of Cole Porter's musical Kiss Me Kate can be seen at the Grand Theatre daily except Thurs and Fri till Dec 31. Jan 8-15: ballet production featuring new works by ltzik Galili and Christopher Bruce (311 2311). Goldoni's play The Rustics, directed by Georges Wod and designed by Ezlo Frigerio, can be seen at Theatre de Carouge on Dec 29 and 31, and daily except Mon from Jan 8 to 24 (343

■ MILAN

Myung-Whun Chung conducts an orchestral concert tonight at La Scala. Luciano Pavarotti gives his last performance tomorrow in the title role of Don Carlo: there will be five performances in January with Sergei Larin. The only performances during

the holiday period are those of

the Nureyev production of the

Nutcracker, a production which can be seen on Dec 23, 30, 31, Jan 2, 3 (7200 3744)

NEW YORK

Metropolitan Opera Tonight at 18.30: James Levine conducts Die Walkure, with Gwyneth Jones, Jessye Norman, James Morris and Gary Lakes. Tomorrow, Sat evening, Mon and New Year's Eve: Evgeny Onegin. Wed, Sat afternoon, next Tues, Jan 2, 5, 8: Jenuis with Gabriela Benackova, Leonie Rysanek and Ben Heppner.

Thurs: Lucia di Lammermoor with June Anderson. Dec 30; La boheme with Leona Mitchell and Richard Leech. Jan 1 and 4: Tosca with Anna Tomowa-Sintow and Lando Bartolini.

Jan 14: Levine conducts first night of Otto Schenk's new production of Die Meistersinger von Nürnberg, with a cast including Bernd Weikl, Hermann Prey, Karita Mattila and Francisco Araiza (362 6000) Joyce Theater The Mysteries and What's So Funny, music theatre work by Philip Glass, daily except tonight, Thurs and next Mon till Jan 3 (242 0800) City Center Alvin Alley American Dance Theater, till Jan 3 (581

State Theater New York City Ballet presents the Balanchine production of Nutcracker daily except Mon till Jan 3, except Dec 24, 25, Jan 1 (870 5570) Avery Fisher Hall Dec 30, Dec31: Leonard Slatkin conducts the New York Philharmonic Orchestra

1212)

(875 5030) Blue Note Jazz Club and Restaurant Dec 29-Jan 3: Chick Corea (131 West 3rd St, 475 8592)

■ VIENNA **OPERA**

Staatsoper Tonight: La forza del destino. Tomorrow, Sat and next Tues: Christoph von Dohnanyi conducts Adolf Dresen's new production of Die Walkure with Hildegard Behrens, Robert Hale, Waltraud Meier and Placido Domingo. Wed: Die Zauberflöte. Sun: Nutcracker, Next Mon: Die Zauberflöte. Next Wed: il barbiere di Siviglia. Dec 31, Jan 1, 3: Die Fledermaus, Jan 2: La traviata with Tiziana Fabriccini. Jan 5: La traviata with Cheryl Studer (51444 2960)

Volksoper Tomorrow, Wed, Sun: Hansel and Gretel. Fri: Die Zauberflöte. Sat My Fair Lady. Next Mon: Merry Widow. Dec 31: Die Fledermaus (51444 3318)

Kammeroper The company is marking its 40th anniversary with a new production of Rossini's Il Signor Bruschino. Runs till Jan 23, with next performances tonight, Sat, next Mon, Dec 30 and 31 (513 6072) CONCERTS

Musikverein 19,30 Daniel Barenboim and the Vienna Philharmonic play Beethoven's Third Plano Concerto and Sixth Symphony.

Tomorrow: Barenboim plays Schubert's Impromptus D935 and B major Sonata D960. Wed: Erwin Ortner conducts Salzburg Baroque Ensemble and

Arnold Schoenberg Chorus in sacred music by Schütz and Bach. The 1993 New Year's Day concert

is conducted by Riccardo Muti (505 8190) Konzerthaus 19.00 Adam Fischer conducts Vienna Chamber Orchestra in a concert performance of Mozart's Mitridate, with a cast including Eva Mei and Jochen Kowalski

Dec 30: Sandor Vegh conducts orchestral dance music. Dec 31, Jan 1: John Eliot Gardiner conducts Beethoven's Ninth Symphony (712 1211) THEATRE Most of Vienna's theatres remain open throughout the holiday

period, except Christmas Eve. The Burgtheater has Goldoni's The Impresario of Smyrna directed by Claus Peymann and Kleist's Das Käthchen von Heilbronn directed by Hans Neuenfels. The repertory also includes

Durrenmatt's The Visit and

Beckett's Waiting for Godot. The Akademietheater has a new production of Chekhov's Uncle Vanya (51444 2218). Theater in der Josefstadt has Shakespeare's Taming of the Shrew and Ariel Dorfman's Death and the Maiden (402 5127). Theater an der Wien has Elisabeth, a new musical about the child bride of Emperor Franz Joseph. No performance Dec 23, 24, 30

(588 30265) Tickets for Staatsoper, Volksoper and Burgtheater available on credit cards by ringing Vienna 5131 513

but it was strongly, even Those grand climaxes which in as glowing affirmations of what had gone before here became combative and trium-

and won. Still in fine form after its recent Sibelius cycle, the LSO supported Solti with welljudged playing, which ensured that louder passages did not blare or get congested, even in this hall, which might be thought inimical to Bruckner. In the end the very determination to conquer the symphony's majestic heights made the evening rise to the occasion.

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday December 21 1992

Korea moves to maturity

FIVE YEARS ago, South Korea's first presidential elections for 16 years were scarred by violence. The opposition vote was split, allowing a former general to win in an atmosphere of recrimination. The electorate was fed up with politicians even as democracy was born. Contrast the vote for the next president, held last Friday. Riot police were not called into action during the campaign. Allegations of misbehaviour were relatively tame and have not included ballot-rigging. The losers conceded gracefully.

If the elections are a victory for democracy, they are also a remarkable achievement for Mr Kim Young-sam. The veteran opposition campaigner's 41 percent share of the vote was far larger than he might have hoped. He will need this mandate to confront the challenges left by Mr Roh Tae-woo, widely seen as an ineffective president who has allowed the economy to slip.

It is not clear that Mr Kim has the skills for the job - though the same could be said of his opponents. He is a wheeler-dealer party boss and an effective politician, but - in the transition from antimilitary campaigner to candidate of the ruling party he has built up political debts which might limit his freedom of action. He inherits an establishment machine which has proved sluggish in introducing vital reforms and often has a vested interest in slowing them.

vested interest in slowing them.

There is little dispute about economic reforms, though Mr Kim's advisers advocated a slower pace

than those of other candidates. Democracy brought a rise in wages which reduced Korea's competitiveness. Economic growth has slowed. High-technology industry must be developed and bureaucratic control loosened. The economy needs further opening to foreign competition.

Most delicate will be the attitude Mr Kim adopts towards the chaebol, the family-owned conglomerates. Many in the ruling party may feel unforgiving after the candidacy of Mr Chung Juyung, founder of Hyundai, the largest chaebol, and political flirtations of other industrialists. Any attempts to curb the chaebol, though necessary, should be tempered by fairness and recognition of their role in Korea's future

The political challenges are no less great. Above all, there is the ever-present possibility that collapse of the dictatorship in Pyongyang could suddenly present Mr Kim with the most difficult of all such tasks — re-unification with North Korea. Domestically, decisive leadership is needed to restore the confidence of voters, 16 per cent of whom opted for Mr Chung, a man without a political background.

As former campaigners for democracy, the victor and the runner-up, Mr Kim Dae-jung, are both remnants of a former age. To fight tomorrow's battles, a new generation of politicians — and probably, political parties — must be fostered. Only then will democracy subave matured in Korea.

Five in a fog

IF EVER there were any doubt that the regulation of British broadcasting has fallen into a muddle, the decision to block the establishment of a fifth television channel removes it.

The Independent Television Commission was faced with a single bid for the 10-year Channel Five franchise from Channel Five Holdings. That bid was rejected because the commission feared the consortium was being too optimistic about its revenue and cost projections and because it was not satisfied about the financial commitment of the proposed members of the consortium.

As a result, British television viewers and advertisers may well be denied the development of the last part of the terrestrial TV broadcasting spectrum, which Channel Five Holdings had intended to use for a regionalised, big city-based alternative to existing services.

Whether the commission has acted properly within the terms of the 1990 Broadcasting Act will probably be tested by judicial review. The chances are that it has; it would be unlike the commission's lawyers to make a mistake of that kind, as it demonstrated by successfully seeing off legal challenges to its decisions in awarding the ITV Channel Three franchises which come into effect next week.

next week.

That does not necessarily mean the commission is right. Ten-year revenue projections are no easier in broadcasting than in any other

worst recession since television was invented may not be the most reliable vantage point for making a judgment.

As for the depth of commitment by members of the consortium, that is also something about which lawyers can quibble, but the names on the franchise application - Thames Television, until January 1 holder of the weekday London ITV franchise. Associated Newspapers, Time Warner, Cox and Pearson (owner of the Financial Times) - are scarcely lightweight.

But the crucial point is this: the ITC is failing to do what the Broadcasting Act intended it to do, namely to adopt a lighter touch than its predecessor, the Independent Broadcasting Authority, and to steer the ITV system towards a more open market, in which performance and takeover bids — rather than questionable franchise rounds — determine who comes out on ton

who comes out on top.

This point applies with particular force to Channel Five, an experimental, even marginal service, which can only succeed if it wins sufficient viewers to build advertising support. If a group of investors believes that it worth risking their money to test the viability of the new channel, it is not clear what public gain there is in the ITC thinking it knows bet-

If a Channel Five consortium were to go bust after, say, four years, it would hurt no one but its shareholders. The government needs to watch the ITC's step.

Bonn's example

REUNITED GERMANY'S foreign affairs aim is to follow "a policy of good example", according to the well-intentioned though somewhat sanctimonious slogan coined by Mr Hans-Dietrich Genscher, Bonn's former foreign minister. In its approach to dispatching Bundeswehr soldiers to help the US-led army in Somalia, Germany is making heavy weather of meeting that objective.

Chancellor Helmut Kohl wants to send 1,500 troops to east Africa, probably in February or March, to distribute aid to starving Somalis. This is a welcome proposal. It illustrates Germany's efforts to play a more active role in international peace-keeping, and in world affairs in general, by throwing off some post-war shackles.

The German contingent's duties

The German contingent's duties would be humanitarian: to organise supplies, transport and communications. The soldiers would be lightly armed, for self-defence. The plan is relatively modest. Yet it has been attacked by the opposition Social Democrats (SPD), who say it breaches constitutional limits on using military force abroad.

The chancellor has been talking for two years about changing the constitution to allow German armed forces to take part in international peace operations. There has been intense debate about Bundeswehr deployment outside Nato since the Gulf war, when Bonn sent Nato-assigned aircraft to Turkey to help protect it against Iraq. The conflict in former Yugoslavia has added to the need for clarity about Germany's potential peace-keeping role—

even though memories of German troops' Yugoslav presence in the second world war would preclude deployment in Bosnia.

The German constitution can be amended only with a two-thirds parliamentary majority. So Mr Kohl needs the support of the SPD, which wants to restrict Bundeswehr operations to UN "blue-belmet" duties. During the summer, the SPD raised doubts over the legality of the decision to send a destroyer to help monitor the UN embargo of Serbia and Montenegro.

The question mark over that decision appeared incongruous, given Germany's interest in peace in the Balkans obstructing the Somali plan would be still more difficult to justify in a region unburdened by Wehrmacht legacies, dispatch of German solders to feed starving Africans could do nothing but good.

If, as the SPD intends, the German constitutional court is summoned to give its verdict on the Somali case, it should do so with all possible speed. Ultimately, however, decisions such as this hinge not on constitutional probity, but on political will. Germany, as the pivotal nation in Europe, must give itself the means to put its defence resources to the service of the international community. The country is being severely tested by the domestic challenges of reunification, but it also has wider responsibilities. Using German soldiers to help alleviate the suffering in Somalia would show the world that it is living up to them.

here could not be a more startling contrast between two US high-technology companies: on Tuesday, International Business Machines, the world's largest computer company, announced plans for sharp cuts in jobs, manufacturing capacity and development spending because of dreadful fourth quarter sales. IBM shares plunged.

Just 24 hours later, Intel, the largest US computer chip manufacturer, sent its stock soaring when it said its fourth-quarter results would be well above Wall Street expectations.

IBM is such a large company and

IBM is such a large company, and was a bell-wether of the US stock market for so many years, that it is easy to see the crisis wracking the business as a symbol of America's supposed industrial decline.

Easy, but wrong. For IBM's core problem - and it is one which is about to hit the large Japanese computer manufacturers which for years have emulated Big Blue stems from its failure to adapt fast enough to the revolution which has moved computing power from large mainframes to the desktop. Yet the companies which dominate the expanding personal computer market are also American, not Japanese. And an important reason for Intel's success is that these US PC manufacturers are the prime customers for its chips.

So, while IBM is struggling, the US high-technology sector in general is quietly prospering, and in some sectors winning back market share from international rivals.

For example, the US semiconductor industry, which a few years ago seemed about to be bludgeoned to extinction by Japanese competition, has revived so strongly that 1992 sales figures are expected to show America regaining world market leadership by a narrow margin, thanks to the success of the US PC companies, technical innovation and the opening up of the Japanese market. Mr Craig Barrett, senior vice-president of Intel, calls it the "revenge of the dinosaurs".

There are also signs, albeit much more tentative, of greater American competitiveness in other areas, from consumer durables such as automobiles to basic industries such as steel.

In short, the fashionable pessimism which for years has tarred the US with "the British disease", condemned to irreversible industrial decline, is beginning to look grossly exaggerated.

It is giving ground to a cautious optimism that, while the US will never again dominate world industry as it did in the three decades after the second world war, it may at least hold its own against Asian and European rivals in many sectors and excel in some of the most important.

This shift in perception is still in its early stages - pessimism was well represented at President-elect Bill Clinton's economic summit last week - but is being reinforced by two developments: America is gradually recovering from the 1991 recession; and Japanese industry is facing structural problems as it battles with domestic economic downturn, severe asset value deflation, and a shift of emphasis from market-share growth to profits growth.

Yet the US cannot afford to be complacent. For one thing, past economic shocks — such as the sharp rise in energy prices in the 1970s — have shown Japan to be remarkably resilient and creative in bouncing back from adversity.

Second, a smattering of market share gains cannot disguise the fact that many US companies remain IBM is no longer a symbol of US industry, which is becoming more competitive, write Martin Dickson and Louise Kehoe

The dinosaurs arise again

uncompetitive. Look no further than the world's largest manufacturing business, General Motors, which faces a formidable struggle to return its loss-making North American operations to profit after years of arrogant, complacent drifting.

That said, GM's Detroit rivals. Ford and Chrysler, have greatly narrowed the quality and productivity gap with Japanese rivals, which control about 30 per cent of the US car market but for now seem to have stopped increasing their market share.

Third, the US still faces some severe, long-term structural problems which threaten industrial competitiveness, including rising healthcare costs (with business picking up most of the insurance costs), lagging investment in plant and equipment and one of the western world's least impressive school and vocational training systems.

Action in all these areas ranks high among Mr Clinton's priorities, although none can be solved simply by the wave of a federal government wand.

Many factors are contributing to increasing US competitiveness, but four ingredients stand out: an improving financial backdrop; wholesale restructuring of manufacturing industries over the past decade, coupled with investment in information systems which quicken decision-making; the adoption by many large companies of new quality control techniques, largely learnt from Japan; and selective government assistance.

In the financial field, exporting industries have been greatly aided by the sharp decline from 1985 in the value of the dollar, which most economists argue remains undervalued relative to other currencies.

Corporate America has also benefited over the past two years from a restructuring of its balance sheet. Many companies — ranging from food and tobacco group RJR Nabisco to paper company Georgia Pacific — were loaded down with debt in the 1980s, either because this was fashionable, or to help or hinder takeover bids, or to allow managers to acquire the business in a leveraged buy-out.

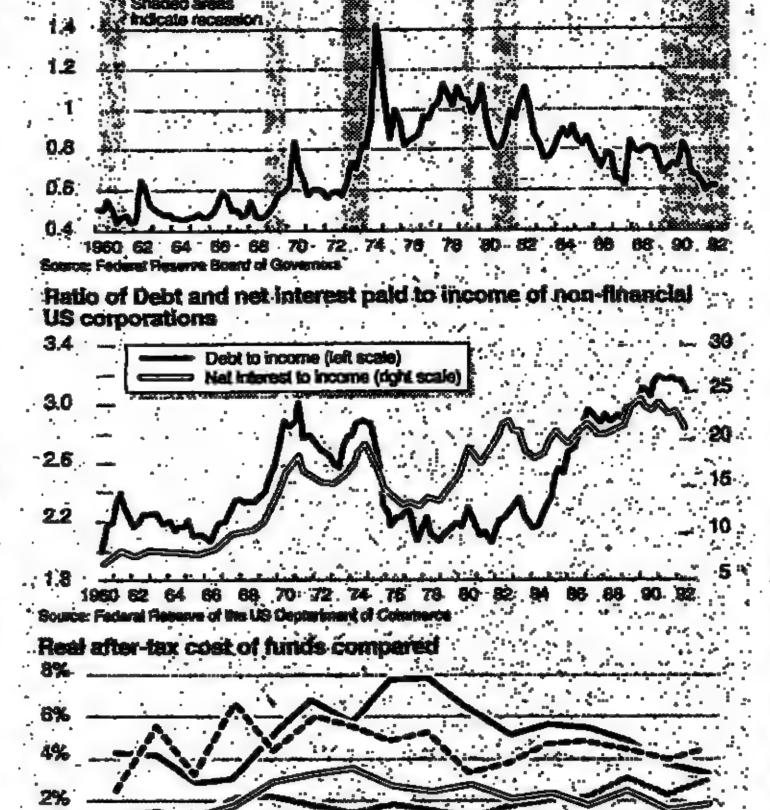
A reasonably high level of debt relative to equity does not inevitably impede competitiveness. Indeed, for much of the past 20 years German and Japanese companies have shown their heels to American and British rivals, despite being more highly leveraged. Academic research suggests that the cost of equity to a company – which is far from easy to measure – is substantially higher than the cost of debt. However, there is no doubt that, in the orolonged economic expan-

However, there is no doubt that, in the prolonged economic expansion of the 1980s, many US companies leveraged themselves far beyond the point of commercial prudence, so that cash flow was inadequate to service their debts when the 1991 recession struck.

US competitiveness: revenge is sweet

Debt to equity ratio for non-financial US corporations

1.6



1977 78 79 80 81 82 83 84 85 88 87 88 89 90 91
Source: Federal Reserve Burk of New York staff assembles

G7 net investment (as % of GDP)

1986-90 avera

UK

Over the past two years, though, corporate America has been redressing the balance with a wave of new share issues, ending a seven-year drought, and the ratio of debt to balance sheet equity has dropped sharply (see chart).

italy

Germany

At the same time, a drop in long-term interest rates to 8% per cent, the lowest level for 15 years, has allowed companies to call in relatively high-priced debt and take on fresh borrowings at lower costs.

This, coupled with a gradual improvement in corporate profits, is improving business's ability to service its debt. Corporate interest payments as a percentage of income have dropped to about 21 per cent,

compared with a peak of almost 25.
per cent at the end of 1989.
However, this remains high by
historic standards and analysts at
Salomon Bros. the New York invest-

8 10 12 14 16 18 20

Salomon Bros, the New York investment bank, warn that "much more restructuring and income growth will be required to restore debt-toincome ratios in the non-financial sector to levels that typically have accompanied sustained economic expansions".

from a narrowing over the past two years of their cost of funds (both equity and debt) relative to Japanese and German rivals.

The beneficial effects of these

financial trends have been reinforced by a widespread restruct-

uring of American industry, which has been going on for roughly a decade, prompted both by global competition and, during the bid boom of the 1980s, by the threat of being taken over.

The restructuring — which began in capital-intensive manufacturing companies most exposed to international trade, but is now spreading through service sectors such as banking and retailing — includes job and plant cuts, mergers and the adoption of new production and quality-control methods.

quality-control methods.

Many large US companies have begun adopting the Total Quality Management methods pioneered by Japanese industry, which involve a minute attention to quality and just-in-time manufacturing throughout the production process, a devolution of responsibility to workers, and an overriding concern for the needs of customers.

hile such techniques can have a profound impact on performance – Xerox, the copier company, and Motorola, the chip and electronics business, are outstanding examples – they have yet to be be adopted by most American companies and are no guarantee of success. IBM is one of the foremost advocates of TQM.

The US government has thrown its weight behind the quality movement with sponsorship of annual awards, and in a few cases has intervened more actively to help industry: Intel's Mr Barrett says the semiconductor trade pacts of 1986 and 1991, which forced the Japanese to open their market to US products, have allowed chip manufacturers to boost sales to Japan by \$1bn a year. Federal government sponsorship also helped set up Sematech, a research consortium which has helped US manufacturers pool information on chip production tech-

The net effect of these initiatives is better labour productivity, which grew at a healthy 2.5 per cent in the 12 months to mid-1992. Says Mr Stephen Roach, senior economist at Morgan Stanley: "Once the global economy begins to move ahead, US companies will be the beneficiaries of a tremendous amount of corporate restructuring. The only glitch could be a dollar surge."

However, Mr Kent Hughes, president of the Council on Competitive ness, a study group backed by big business and labour, warns that "while we did a lot of fat-shedding in the 1980s, it's not clear we added as much muscle as we should have", investing in new plant and equipment.

The US has one of the lowest ratios of business investment to GDP among countries belonging to the Organisation for Economic Co-operation and Development. Non-military spending on research and development has also lagged behind some of its rivals.

Such findings have generated an intense argument as to whether the US system of capital allocation is inferior to that of Japan and Germany, with stock market pressures forcing American companies to concentrate on excessively short-term

But the current high-technology fight-back suggests US self-criticism may be overdone. Mr Barrett, for example, reckons that capital spending by the US semiconductor industry will rise 12.5 per cent next year, compared with a 12.7 per cent drop in Japan. Intel plans to boost spending 33 per cent to \$1.6bn.

The only dinosaur-like element of that is its sheer size.

Samuel Brittan

Secrets of the heart

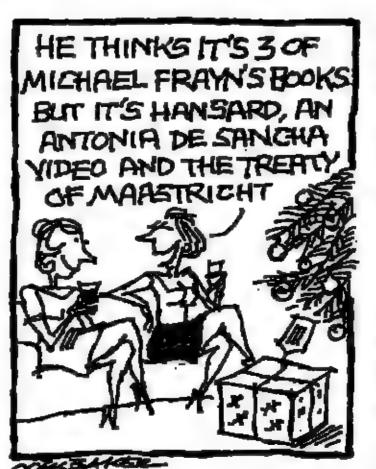


Despite decades of brain-washing, I have never been able to persuade myself that discussing the advice given by officials to ministers is like revealing the secrets of the confessional. An

usual light on the issue is shed by the humorous writer Michael Frayn who has, among his other accomplishments, intimate knowledge of Whitehall, including the lay-out of its buildings, corridors and, above all, skyline.

I have been reading three of the books he has written since he resumed novel writing in 1985. The first. The Trick of It (Penguin), is on a different topic - an academic critic who lures the subject of his life work, a female povelist "JL", to his rather shabby university to give a talk; the relationship ends (in every sense) in marriage. There are many delicious paradoxes. The critic has intimate knowledge of every word JL has written. JL, on the other hand, has never read a single bit of her companion's work. which he composes downstairs while she is writing upstairs.

The book which deals most directly with official secrecy is the latest, called Now You Know (Viking). Its central character. Terry, who runs an anti-secrecy campaign, is described on the dustjacket as something of a wide boy. "OK, maybe he does come across as a headline-grabbing charlatan sometimes but he is a bit of a charmer all right - ask anyone." In a seedy office behind the Strand, Terry has accumulated quite a large staff with a telephonist, librarian, secretary and so on - all of whom respond to callers with the word "open" and who have as many secrets from each other as any group of establishment politicians and officials. One secret, revealed at the end, is



who is financing the whole show. Rather more intriguing is why a straight-laced Whitehall high flyer, Hillary Wood, who initially despises Terry and everything he stands for, leaves the Home Office to join his organisation. The obvious answer is that Terry may be her father but I'm not sure this is correct. There are moments of high farce, for instance when she takes part in a demonstration outside her old permanent secretary's house in Chorley Wood - now there's an idea. Despite all the high jinks at the expense of the anti-establishment the reader cannot forget that there has been a cover-up over the death of a man in police custody, a cover-up supported by the sensible. educated Home Office types which many readers will know from their

I suppose the moral is that we all carry an Official Secrets Act in our own heads. Frayn is, however, at his most successful in the second of the three novels, A Landing in the Sun (Penguin), which is the finniest yet also the most realistic and serious. A civil servant, Stephen Summerchild, is appointed secretary of a committee set up by Har-

old Wilson in 1974 to examine the quality of life. Its chairman is Dr Serafin; a female Oxford philosopher of Russian extraction. Wilson is preoccupied with the economic crisis of the time, and when Serafin tries to see him she bumps into the governor of the Bank of England on a more urgent visit. She decides to go ahead just with Summerchild, not bothering to appoint any more committee members (another good idea). At first, the meetings proceed like a tutorial designed to elucidate the concept of "quality of life" - for example, "you notice the central heating if it is turned off. You notice it if it is not there to be noticed," an analysis interrupted when Serafin has to get away to prepare her boy's dinner or some other domestic chore. She gradually becomes less ana-

lytical and more Russian. She and Summerchild eventually establish a love-nest in their attic office, outside which there is a protected ledge useful for sun-bathing. The idyll comes to an end when the permanent secretary, on a goodwill tour, finds the office locked against him. Much more happens which the reader must explore for himself.

Before anyone dismisses Frayn's

world as fanciful entertainment. I must mention my own experience. at the Poreign Office a few days ago, where the uniformed guardian disclaimed all knowledge of a party to which I had been invited. While this was being sorted out, a senior flunkey announced he was going to Bosnia the next day - whether this was meant as a joke I do not know. But a departing mandarin off for his weekend in an open-necked shirt responded: I hear the skilne in Bosnia is rather good at this time of year." Maybe if I had not been reading Frayn I would concentrated on the more highbrow conversation at the policy analysts' party. At the very least, his books are an antidote to end-year depression.

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(i) Hillsdown is granted, and will exercise as required by notice to the Trustee no later than 10.00am on December 21, 1992, an additional right to procure the purchase by a third party of all Bonds which would otherwise be redeemed by Hillsdown pursuant to the exercise by Bondholders of their option to redeem the Bonds on December 27, 1992, (the "First Option"). This purchase arrangement does not affect a holder's right to opt for conversion of its Bonds in lieu of redemption as set out in the Terms and Conditions of the Bonds. Payment in respect of such sale shall be made to Bondholders without them having to take any other action than is required in connection with the First

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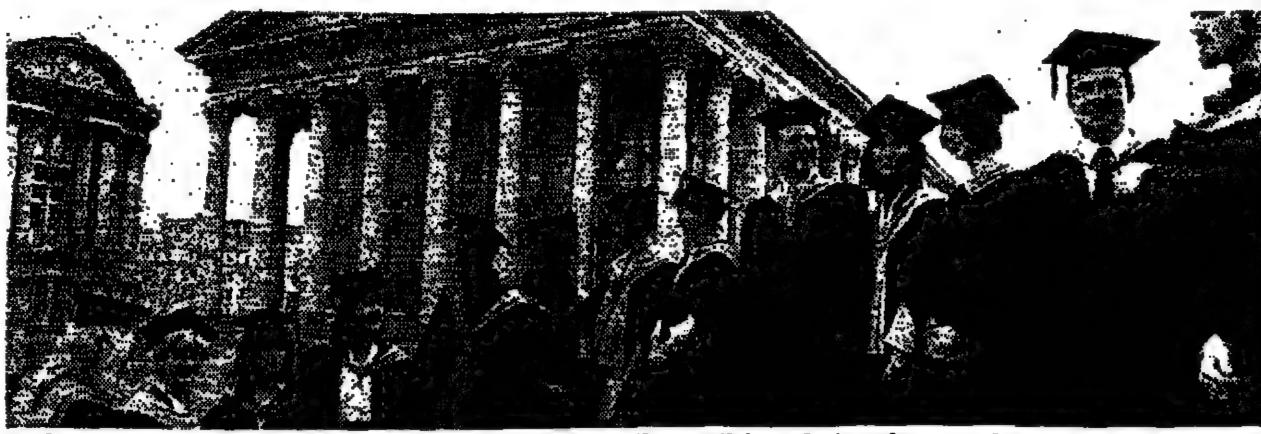
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December 21, 1992



Graduation cap: John Patten has imposed a 13 per cent ceiling on the growth in student numbers over the next three years

Competing answers to university challenge

Means-testing to control the cost of further education may be an alternative to ceilings on enrolment growth, says Andrew Adonis

Full-time

and universities

versities, the party is over and the hangover about to begin.

After seven years of uninterrunted growth in student numbers, the government is applying the brakes. Courses for 16 to 19-year-olds are now top priority for extra education spending, with further education colleges due to pass from local government to Whitehall control in April

To contain higher education spending. Mr John Patten, education secretary, looks set to announce cuts in fees paid by the government for university courses. He has also imposed a 13 per cent ceiling on the growth in student numbers over the next three years.

Polytechnics achieved an increase in enrolments of that size last year alone, and few believe the government will be able to constrain growth for long. The question is not whether higher education will expand further, but what form the expansion will take and how it will be funded.

The form of expansion is now settled. Polytechnics have been permitted to call themselves universities, but the bottom four-fifths of the new "university" sector will comprise teaching colleges in all but name. The Universities Funding Council's research assessment ratings, published last week, indicated that a majority of top-graded departments are in just 12 institutions. Research funding is to be concentrated on those, with teaching centred on the rest.

The question of funding is more problematic. A year or two from now, it will be one of the toughest education policy issues facing the politicians.

For a glimpse of the debate earlier this month by Mr Jeff Rooker, Labour's new higher education spokesman, is essential reading.

In an address to the Socialist Education Association, Mr Rooker raised the issue of means-testing the fees cur-

the government for all firstdegree students, irrespective of parental income. He argued that it would be "totally unaccentable" for school leavers and mature students of entry standard to be denied the chance to continue their studies because of governmentimposed ceilings on numbers. Then came the punch line: "Social equity demands that we look to all possible sources of revenue from those who can

contribution from the wealthy [must] be considered." For all politicians, Labour as much as Tory, the public spending implications of the explosion in numbers are beginning to sink in. The figures are stark. In the early 1960s, the UK had barely

afford to pay ... The issue of a

100,000 full-time students in higher education. By 1987 number 549,000: now it is about 775,000. Vicechancellors believe that Mr Patten's 13 per cent increase may be illuabsorbed as current intake of stu-

dents passes

through the Given the numbers, the government's fees bill would have rocketed in any event. But it has been artificially increased by a decision in the late 1980s to shift higher education funding from grants paid to institutions to fees following students. The aim was to encourage institutions to take cost, and to create a market environment in which universities would sell themselves better. It succeeded beyond almost everyone's - particularly the government's -

expectations. The cost was

enormous. In 1979 the govern-

Rapid growth imposes its

own strains: some suppliers

Aids, have been grumbling

the company in early 1991,

turnover - then 24.5m -

expansion has been going

a sizeable mail order trade -

has grown from three shops,

plus a kiosk at Alderabot, to 14 stores spread from Glasgow

to Bristol. It has opened three

new shops this autumn alone.

Ebullient as ever. Ashcroft

says that his business is "going

pretty well really". He declines

mutterings of discontent from

indicated that Survival Aids

consolidation. "We'll catch up

with ourselves now, in the next

is now entering a period of

12 months", he promises.

to talk publicly about the

some suppliers. But he

according to plan. Since Ashcroft arrived its retail

within five years.

clothing company,

£238.7m: by 1986 it had risen to £290.7m; last year it was £690m. Since almost everyone

particularly the government agrees that the bill cannot go on rising at that rate, there are only two options: capping student numbers or means-testing fees. (Universities could be more efficient, of course. But lecturer-to-student ratios are already at 1:20 or worse in many institutions.)

For the moment, Mr Patten is taking the first option and capping numbers. Labour is hovering at the entrance to the

Mr Rooker insists that his speech was no more than the design for a kite. But should the kite fly, the impact on the middle classes would be profound. Annual fees for undergraduate courses currently

range from £1,855 nearly £5,000, student enrolments depending on the subject. England: first degree Living costs courses; polytechnics come on top. allowances for which being progressively shifted 332,000 from grants to 339,000 loans. The maintenance grant is fixed 388,000 at a maximum 428,000 of £2,265, but

even that is means-tested. Withdrawal starts if combined parental income reaches a mere £13.630. Fewer than a third of students now receive the full grant. If the regime for maintenance grants were extended to tuition fees, a typical university would become as expensive as Eton for students from better-off families.

Ironically, the means-testing option has impeccable Tory credentials. Sir Keith (now Lord) Joseph toyed with it when he was education secretary in the mid-1980s, but drew back amid protests from the Tory shires. As a next best, Mr Robert Jackson, higher educa-

or students and uni- rently paid to universities by ment's annual fees bill was tion minister in the late 1980s, urged vice-chancellors to consider additional fees to be paid directly by students. They declined to do so, though many were attracted to the idea.

Mindful of the electoral consequences, the government finally gave up the quest last year. Its 1991 Higher Education White Paper stated: "Public funds will remain the main source of income for funding the projected expansion of student numbers."

It might seem odd, then, that Labour is picking up the means-testing baton. In fact, the Tories' decision to drop it gives them a golden opportunity. After its bloody nose at the last election, Labour's leadership is more concerned than ever at the tax implications of massive public spending commitments, and higher education is prominent among them.

Labour can also point to the rest of Europe and the US, where the charging of fees is standard practice. A Mori poll conducted earlier this year showed a majority of those with incomes over £15,000 a year were prepared to pay tuition fees, to the average tune of £1,000 a year.

Moreover, the Tories abandoned attempts to make students and their parents pay fees for the very reason that makes the idea potentially tolerable to Labour: it means taxing the Tories' natural constituency. Mr Rooker is impressed by a research paper published recently by the National Commission on Education, showing that in relative terms, over the past 20 years the proportions entering higher education from manual working class families has scarcely shifted by comparison with those from professional and managerial families.

"This is cold comfort for those who seek the 'classless society", concluded the paper. Maybe. But it might enable Labour to turn the tables on a government reneging on commitments to open higher education to all able to make the

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Well served in Moscow

From Mr Mark I Wolk. Sir, My wife and I were guests at the Aerostar Hotel in Moscow in March this year. We were most impressed with the facilities and services and

found them to be a fine oasis from the rigours of very long and tiring days of fact-finding. There were a few rough spots, but not nearly enough to warrant the most negative coverage you gave them in your article, "Tempo changes at heartbreak hotel" (December 7). which unfortunately would discourage others from availing themselves of this good and reasonably priced hotel in

Mark I Wolk, Mark I Wolk and Associates. 900 Century Building, 130 Seventh Street,

Pittsburgh Pa 15222-3461

the troubled capital of Russia.

Positive outcomes suggested by record of new Russian premier

From Mr Jonathan P Stern Sir, Your editorial of December 15 ("Departure of a reformer"), contains an important omission about the new

Russian prime minister. As minister for the gas industry, Mr Chernomyrdin may be "associated with the failures of the last Soviet regime", but he was one of that regime's few industrial success stories. That is arguably why Mr Chernomyrdin has been singled out for this very difficult position. It is somewhat unfair of Leyla Boulton ("New man at top sweeps into office with an old broom", December 15) to say that Mr Chernomyrdin has failed to turn around the for-

tunes of the oll industry since he was made deputy prime

economic and political confusion would have made this a difficult task for anybody in his position to achieve within

You may be right that Mr. Chernomyrdin does not know how to transform Russia into a working, let alone a successful, market economy", but then who does? The immediate issue is whether the new prime minister will set his face against market-oriented reforms or whether he will continue them at a slower pace.

Meanwhile we should be aware of two politically positive outcomes of his appointment. First, Russia has a prime minister who has a track record of some economic and minister responsible for fuels | political success (albeit within | London SE14

and energy last April. Macro- the framework of a centrally planned economy). Second, the new prime minister has a detailed knowledge of the oil and gas sectors, which are likely to be extremely important for both the domestic economy and for foreign trade. Indeed, these sectors could be the key to Russia's economic

A prime minister who could turn oil production (and exports) around and guarantee the continued flow of Russian gas to Europe would help boost western business confidence. even if he proves to be a less politically and intellectually attractive than Mr Yedor Gaidar, his predecessor. Jonathan P Stern. 93 Erlanger Road.

Drafting of multilateral trade organisation is unacceptable

From Myriam Vander Stichele and Michael Windfuhr. Sir. You rightly draw attention to the problems arising from the creation of a new

multilateral trade body - MTO in the Uruguay Round ("US poses new Gatt quandary". December 15). An article of December 16 ("Round and round go the Uruguay trade reform negotiators") mentions in contradictory way the US worries about the status of the

MTO and its rules, which should curtail US unilateral

You do not mention, however. concerns recently expressed by more than 150 organisations from more than 30 developing and industrialised countries dealing not only with the environment but also with development.

They fear that the MTO. which would be outside the United Nations system, and

would collaborate with the International Monetary Fund and the World Bank, would further concentrate international economic decision making in the economically powerful industrialised countries. Developing countries and their populations would be excluded

The MTO would be the forum for future negotiations with no equitable decisionmaking process. It would be an end to any attempt to create an | D-5300 Bonn I

international trade organisation which takes a more integrated approach to trade policy and rules. An MTO as currently drafted is unacceptable. Myriam Vander Stichele. International Coalition for Development Action, 115 Rue Stevin, B-1040 Brussels. Michael Windfuhr. Riemannstrasse 2

Holding companies likely to be penalised by VAT ruling

From Mr Richard Watson.

Sir, Your readers are already aware of the new value added tax burdens on large companies which will begin on January 1. They will also know that monthly payments of VAT for large companies began in October. I wonder, however, if they have yet realised that every holding company is due to be further penalised from March 1. Customs and Excise has achieved this hat trick by taking a European Court of Justice ruling on a Dutch holding company (Polysar Investments Netherlands BV) and develop-

Polysar was a Dutch inter-

ing the thinking to justify

an approach it last tried in

type often used, quite legitimately, in direct tax planning. The Court held that the basic activities of such a holding company did not constitute an economic activity and, therefore, it was not entitled to a refund of VAT on costs.

Customs has ended this doctrine to all holding companies and has ruled that, from March 1. VAT on costs incurred by holding companies on basic activities, such as acquiring subsidiaries and mounting or defending takeover bids, will cease to be deductible. By applying this judgment to

British holding companies of a quite different type. Customs seems to be extending the

For example, the Court commented that its ruling would have been different had Polysar been involved in managing its subsidiaries. This could be taken to imply that input tax recovery on Polysar's basic functions would have been allowed under these circumstances.

ferences between the activities of a Dutch investment holding company and a typical UK holding company are so great that the judgment cannot simply be transferred intact.

VAT is a tax on consumption not a tax on business costs. By taking this action, Customs

Above all, however, the dif-

mediate holding company, of a | Court's judgment far beyond | is placing a new and very real burden on business at a time when so many other burdens

> are being introduced. To add insult to injury, the change was announced by press notice and apparently requires no change in the law. Price Waterhouse will continue to add its weight to the representations against this charge. This is a further unnecessary setback to UK business recovery and yet another example of an increasingly alarming trend to legislate by press release. Richard Watson,

Price Waterhouse. New City Court, 20 St Thomas Street. London SE1 9RP

OBSERVER

Return of the Lynch mob

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4 - 1 1

■ Remember Gerry Tsai? In his hey-day as a go-go stock picker for Fidelity, America's biggest mutual fund manager, Tsai's reputation was just as big as that of Peter Lynch, the legendary Fidelity fund manager who has just announced a comeback.

But whereas Tsai went on

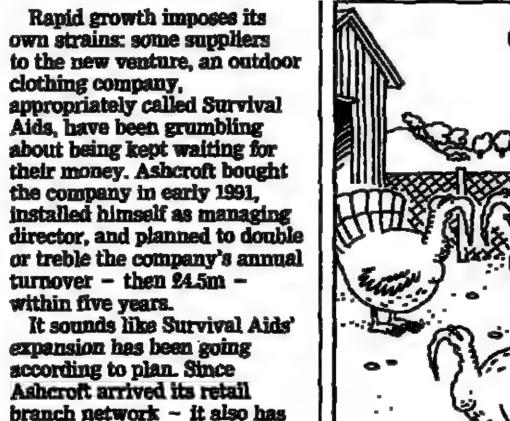
to the real business world. running American Can and its successor Primerica, Lynch is sticking to what he knows best. Less than three years after he gave up, Lynch is returning to his old firm on a part-time basis. Lynch's recall is bound to Since he quit managing

raise eyebrows on Wall Street. Fidelity's \$21bn flagship Magelian fund, it has failed to match the spectacular performance it recorded during his 13-year stewardship. The job of running the biggest US mutual fund has already burnt out one of Lynch's successors. Has Lynch been recalled to keep an eye on Magellan and prevent its small investors from deserting?

Not so, says Fidelity, which insists that Lynch is not returning to active stock-picking. He has been acting as a "mentor and educator" at Fidelity on an informal basis for some time and now will get paid for "Peter Lynching the next generation of Fidelity fund managers," says Fidelity rather inelegantly.

Slowing down

John Ashcroft, former Guardian young businessman of the year and ex-boss of the over-acquisitive Coloroll which collapsed in 1990, is again trying to grow a business at breakneck speed.



Thatcher of the family that ran the Lake circus troupe.

her in the ring. a perfect entry, the bottle of malt goes to Frank Haigh of Ottawa who came nearest.

Showdown Now for the showdown on last Monday's quiz about

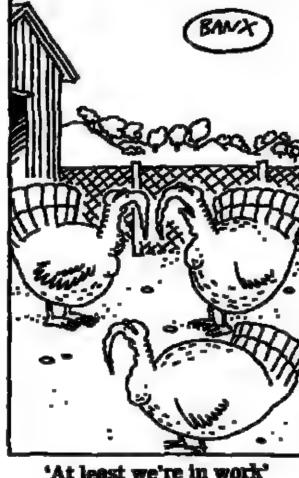
gunfighters of the old American West. The questions, and answers, were: 1. Name the Magnificent Seven. Chris (played by Yul Brynner), Vin (Steve McQueen), O'Reilly (Charles Bronson), Lee (Robert

Vaughn), Britt (James

Coburn), Harry Luck (Brad

Dexter) and Chico (Horst Buchholz). 2. Which western gunfighter became sports editor of the New York Morning Telegraph? Bat

Masterson. 3. Which was married to Mrs Thatcher? Wild Bill Hickok. She was Mrs Agnes Lake



4. Which rival did he dispose of and so win her affections? A circus ion which attacked

Although nobody produced Besides getting the first three right, he answered the fourth with: "Ruffians at her circus".

Polish vote trick ■ If Poland's parliamentarians start smuggling bricks into their sessions, it won't necessarily be to throw them

at opponents. The reason will more probably be a mini-scandal aroused when national television showed deputies voting for absent neighbours in a critical budget-debate. It was apparently far from

the first such occurrence. Bored members find it easy to slip away. All they need do is leave their voting card with a more diligent colleague, who sticks it into the slot in the absentee's seat at the right moment, and presses the appropriate button.

Since a spate of "two-handed voting" saw the government lose by three on its proposals for pensions cuts, it has sought to restage the vote. In the meantime, parliament's chairman. Wieslaw Chrzanowski, has been criticising the TV cameras for giving the wrong impression, while President Lech Walesa has been praising them for exposing what was afoot. Short of going back to counting each vote manually, preventing the practice is a problem. One proposal - to fix the computer to register a vote only if the relevant seat was occupied - seemed promising until someone objected that deputies could bring in bricks to weigh down neighbours' seats. The ultimate solution, perhaps,

Kennel talk

This Christmas why not splurge \$3,800 on the dog that has everything and buy Rover its very own copy of "The European market for pet food and pet care products".

would be voting buttons that

to the correct fingerprints.

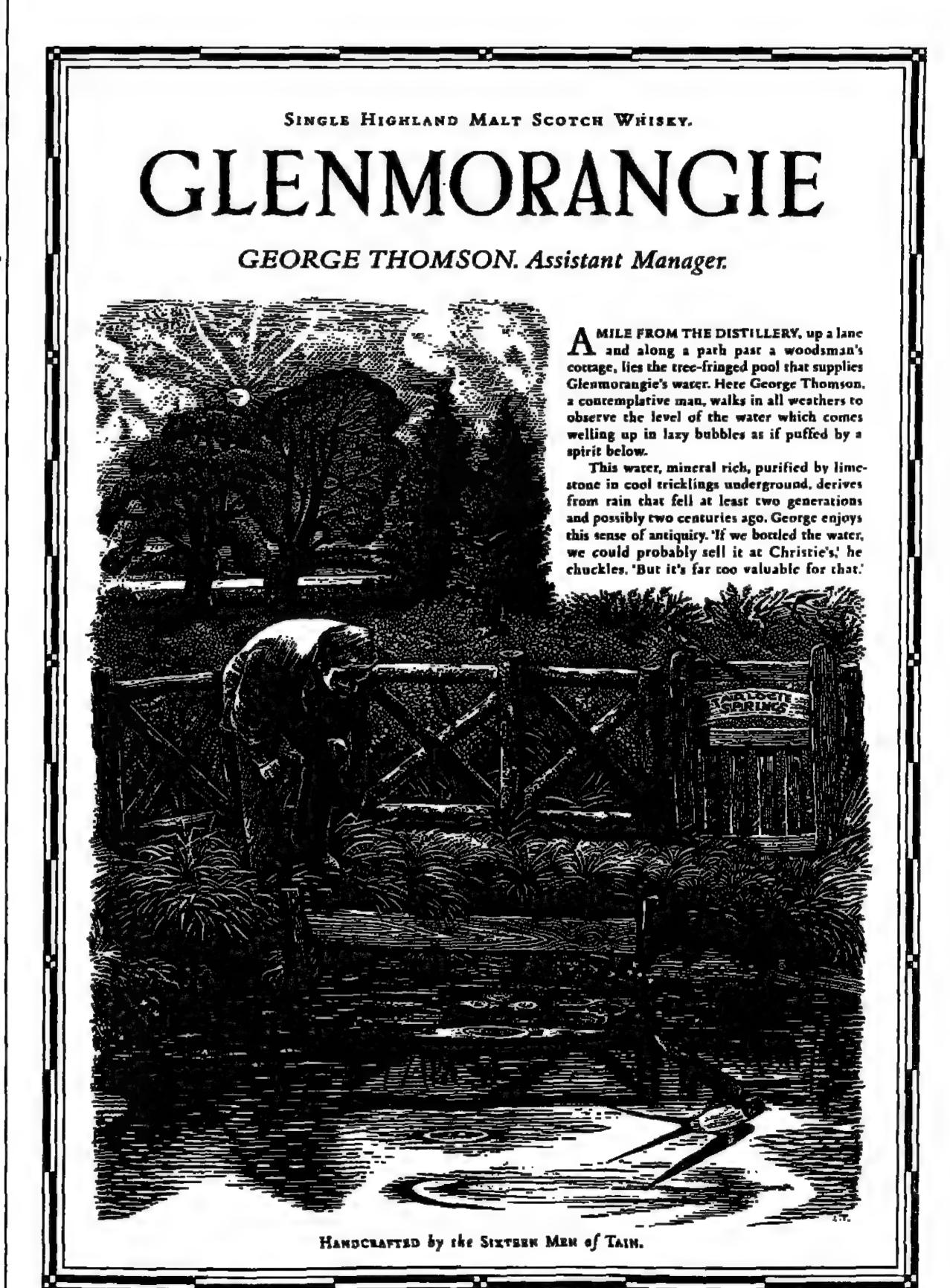
identified and responded solely

The good news in the Frost and Sullivan report is that pets should get more to eat - the market is set to grow from \$10.5bn to \$11.6bn by 1996. The bad news is that the number of doggies is forecast to decline. That's not what they want to hear at the kennels. Perhaps it would be better to save this type of negative talk till after Christmas.

Assumptions

■ What are the four ways by which an economist can lose his reputation?

Gambling is the quickest, women the most pleasurable, and drink the slowest. But forecasting is the surest.





FINANCIAL TIMES

Monday December 21 1992



TELEPHONE 081 689 2266 Giving construction a good name

Russia's new prime minister agrees to carry on with economic reforms

Yeltsin wins cabinet compromise

By Leyla Boutton in Moscow

RUSSIAN President Boris Yeltsin yesterday reached a deal with Mr Viktor Chernomyrdin, the new prime minister, on the make-up of the cabinet, agreeing that the basic current team would be preserved.

"The government of the Russian Federation maintains lovalty to the idea of transition to market economy and intends to continue the reform course." Mr Vyacheslav Kostikov, the president's spokesman, told Itar-Tass

Mr Yeltsin cut short his official visit to China this weekend to mount efforts at home to retain the core of his economic reform

The president flew to Moscow on Saturday, saying "the master

has to return home to restore order" because of attempts to scatter the reform team assembled by Mr Yegor Gaidar. Mr Gaidar, the architect of Russia's market reforms, was last week dropped as prime minister by Mr Yeltsin following concerted pressure from conservative deputies

Meanwhile, Mr Chernomyrdin has toned down earlier attacks on Mr Gaidar's policies. Mr Chernomyrdin, who earlier had announced he wanted "a market not a bazaar," said at the weekreforms to be effective and was ready to "correct" his view.

Mr Chernomyrdin further qualified his commitment to reform when he said to Tass before his Sunday meeting with Mr Yeltsin: "The market alone is not a panacea. Many countries have been living for a long time under market conditions but have not resolved all their social prob-

The were, however, signs last night that Mr Yeltsin may yet face an uphill task to ensure that the reform team can work with Mr Chernomyrdin.

On the one hand, some of Mr Gaidar's closest colleagues, like Mr Anatoly Chubais, the privatisation minister, and Mr Andrei Nechaye, the economics minister. having theatened to resign if Mr Gaidar went, now say they will stay on if reform continues.

Others say they want clarification of Mr Chernomyrdin's plans. The consensus among Mr Gaidar's colleagues is that, while Mr Chernomyrdin is a competent manager, he knows nothing

about macroeconomics and he could steer the country into hyperinflation.

One cabinet change which could help boost credibility of reforms could be the appointment of an energetic finance minister to keep a grip on credit and monetary policy.

It is understood that Mr Boris Fyodorov. Russia's executive director at the World Bank, who resigned two years ago as the country's finance minister, was in Moscow at the weekend to explore job possibilities.

Kadical democrats, meanwhile expressed alarm at the appointment of Mr Yuri Skokov, the conservative secretary of the shadowy Security Council, as overlord of Russia's external relations.

Advisers under threat, Page 3

Milosevic seeks to hold on to power in elections in rump Yugoslavia

Ruling Socialists accused of foul play

By Laura Silber in Belgrade

MILLIONS of people in the rump Yugoslavia yesterday voted in presidential and parliamentary elections, overshadowed by charges of foul play and media manipulation by Serbia's ruling Socialists.

Serbian president Slobodan Milosevic, who is widely held responsible for the war in neighbouring Bosnia, was fending off a challenge in his re-election effort from Mr Milan Panic, the Yugoslav prime minister, who has campaigned on piedges of peace.

Mr Panic, who was born in Belgrade but became a pharmaceuticals magnate in California, said yesterday: "This is the beginning of democracy in Yugoslavia. People want changes and I will bring

But complaints of election fraud flooded hotlines set up by opposition parties in Belgrade just after the polls opened at

"There have been a large number of reports of irregularities. A big percentage of people say they are not listed in the voter registry." said Mr Jack Zetkulic, head of the observer mission of the Conference on Security and Co-operation in Europe.

Depos, the main opposition coalition, and the Democratic party, another opposition group,



Presidential candidate Milan Panic arrives to vote at a Belgrade polling station yesterday

said that hundreds of people had complained they were not allowed to vote.

Mrs Snezana Petrovic, a librarian, protested vesterday: "I was struck off the list because I was noisy and made complaints. My husband is quiet so he's on the list." She blamed Mr Milosevic for Serbia's economic decline and isolation.

Mr Milosevic's campaign, marked by its xenophobia and defiant tone, has its strongest support in working-class and rural areas of Serbia. In the industrial suburb of Kaludjerica, Mr Dragan Misovic, a student, said: "The workers will vote because they get paid for doing nothing. The factories are all

closed but they [the workers] draw salaries."

Most voters were hostile, refusing to speak to reporters. "The west should not give us orders. Mind your own business," said one man who voted for Mr Milos-

high despite freezing temperatures and dense fog.

Foreign observers were highly critical of the campaign. "It was an unfair campaign. The media propaganda has been shameless. probably the worst we've ever seen in the region." said Mr Zetkulic. About 90 foreign observers monitored local, republican and federal races in Serbia and Montenegro, the sole members of the

reconstituted but unrecognised

Yugoslav federation, he said. Western diplomats said that even if he was defeated in the poll, Mr Milosevic could refuse to cede power. They feared that the Serbian leader could provoke ethnic violence in the mostly Alba-The turnout in Belgrade was nian province of Kosovo, southern Serbia. Albanians and many Moslems boycotted yester-

Early results were expected today. Despite a hostile campaign against him on state television, the ebullient Mr Panic had a slight edge in the latest opinion polls. But if neither candidate gains more than 50 per cent of the total vote a run-off has been set provisionally for January 3.

THE LEX COLUMN Paper thin profits

The devaluation domino that has swept across the Nordic region has had at least one strikingly beneficial effect: it has eased the pressures on the forestry industry, which constitutes much of its manufacturing base.

Shares of leading Swedish pulp and paper companies in particular have bounced strongly since the krona's devaluation. Profits prospects have improved markedly as relative costs have shrunk. Last week, the SCA group cited the benign effect of devalnation in lifting its annual profits forecast from break-even to SKr300m-Skr400m. MoDo, too, should benefit from having many of its manufacturing plants in weak currency countries. But Europe's biggest paper group, Stora, may do less well: its exposure to Germany will muffle any uplift.

Having bid the shares up so quickly, the market is now scratching its head about the longer term prospects. Investors are still keen to move into capital intensive sectors which have historically been at recovery's leading edge. But the cyclical scenario may not be as simple as it seems. Severe overcapacity in most paper grades continues to plague the industry. Ironically, devaluation may have delayed rationalisation by baling out the weakest players. The glut of recycled pulp in Europe will also undermine price rises. But the biggest worry remains the deteriorating German market, which accounts for about a quarter of European paper consumption. The industry is not yet out of the woods.

UK Electricity

National Power and PowerGen may view last week's report from the regulator on electricity pool prices as something of a victory. But after a torrid few weeks at the hands of both the regulator and the market, they have reason to be grateful for small mercies. That Professor Littlechild stopped short of suggesting collusion to achieve higher prices is a relief. The conclusion that pool prices are still below the level required to cover the generators' costs should equally take the wind out of complaints from big energy users.

Yet the generators can hardly welcome the regulator's pointed reminder that they have too much market power. Although National Power and PowerGen have been cleared of actual misdemeanour, the fury is still out on the wider issue of whether enough competition can be introduced into the generation market to make the cur-



rent structure acceptable. The decision turns on the impact of independent power producers in limiting the

power of the duopoly. That extends beyond the electricity pool. The terms of five-year contracts offered to the regional electricity companies and backed by deals with British Coal are already under Professor Littlechild's microscope. Given the public and political interest, one can hardly believe National Power and PowerGen will allow themselves to be found guilty of abusing market power in this area either. But with the Professor talking of imposing regulation on the generators as an alternative to a Monopolies and Mergers Commission reference, the scope for interference has barely diminished.

UK Accounting

For all its success this year, the UK Accounting Standards Board has avoided tackling the vexed topics of goodwill and intangible assets. Since the old Accounting Standards Committee's failure to carry the day on amortising goodwill was the final nail in its coffin, Professor Tweedie might be forgiven for biding his time. The challenge is to find a treatment which satisfies the demands of business without leaving UK accounts out of step with international practice.

Professor Tweedie has made no secret of his desire to move towards a system which values assets on a more consistent basis. That implies tougher rules on when and how physical assets are revalued. This might also help square the circle on goodwill. If all assets which can be reasonably valued are held at current cost on the balance sheet, sceptics may find it easier to swallow a similar treatment for acquired goodwill. Assuming, of

course, that a convincing method of valuing goodwill can be found. The ASB is doubtless hoping that whatever compromise it suggests on acquired goodwill will head off demands from areas of business that internally generated intangible assets, such as brands, should have a place on the balance sheet. Even so, the ASB would risk taking UK accounting standards into an area beyond the International pale. In an era of cross-border

investment, international comparability of accounts has a value of its own. The sight of Phillips - a pioneer of rrent cost accounting - abandoning the system last week in favour of more internationally accepted practice gives cause for thought.

Japan

Kleinwort Benson's poll of institutions attending its investment seminar last week revealed a curious optimism about the prospects for Japanese equities next year. The average expectation was that the Nikkei would rise to nearly 19,400 for a return of some 12 per cent, well above the poll's anticinated result for the FT-SE, Dow or the German DAX. That seems inconsistent with the bleak economic outlook. The **Economic Planning Agency last week** reduced its growth forecast for the current fiscal year to 1.6 per cent from 3.5. It anticipates growth of 3.3 per cent in fiscal 1993-94, but admits this is more of a target than a forecast. The OECD expects 2.3 per cent for calendar 1993, but says informally that even this figure may be too high.

As Kleinwort itself points out, asset deflation will continue to restrain growth for some time, while the corporate sector still has to come to terms with the excesses of the 1980s. Since redundancies are hard to impose, Companies will have to engage in savage cost reduction. Weak private consumption may then compound Japan's economic problems.

One palliative would be aggressive cuts in interest rates. Foreigners have a poor record at calling the Nikkel, but that prospect might justify the survey's optimism. Indeed, a similar argument could apply to some continental European markets. The US last year and the UK this year both provide examples of markets which have risen primarily on the back of interest cuts. The more difficult question comes later when the cuts have been absorbed. Then further advance depends on earnings growth in a weak

Waigel says rate cuts would be effective

By Quentin Peel in Bonn

CUTS IN German interest rates would be the most effective single measure to revive the flagging German economy, Mr Theo Waigel, finance minister, said in an interview published yester-

At the same time he said there must be "no taboo" in considering cuts in public sector spending in any area, including social spending, in a package of measures to be completed in January. The package is supposed to be part of a "solidarity pact" between the central government, ers and local government.

increase in taxation before 1995 as "totally wrong" in the present economic situation. Mr Waigel said the abolition of some allowances was under consideration.

The government is considering three lists of savings measures to reduce the public sector deficit and enable more cash to be found to help revive the collapsed economy in east Germany, according to weekend reports.

They include central government cuts, state government cuts and the tax allowance cuts. In an interview with Welt am

Sonntag. Mr Waigel admitted there might be zero growth in the German economy for 1993,

although he was confident there would be a recovery in the second half, thanks largely to a recovery in the US and other German export markets.

He stopped short, however, of calling on the German Bundesbank directly to cut its interest rates to stimulate the economy. He merely repeated that rigorous public sector spending con-

trol and wage restraint in the current round of pay negotiations were essential to give the central bank "room for manoeuvre" to cut its rates in the new year. The finance minister promised

to have his package of savings measures, involving the 16 fedcral Länder and local authorities. as well as the central government, ready for publication in January at the latest.

Selective leaks of measures in the savings lists have caused a storm of political criticism over the weekend, with the opposition Social Democrats charging the government with seeking to finance unification at the expense of the poor.

Cuts cited include a reduction in unemployment benefit, child allowances and maternity benefits, and a freeze on student grants, right down to details such as a cut in the temperature of municipal swimming pools, or an increase in entry prices for museums and art galleries.

opposition, trade unions, employ-

Japanese growth estimate

Continued from Page 1

non-inflationary growth path centred on domestic demand," the EPA said in its annual report to the cabinet, reflecting the government's concern about the expansion of the trade surplus. Most of the agency's estimates

for the current year were wide of the mark. It had forecast a 3.7 per cent increase in private consumption, but that was cut to 1.5 per Corporate fixed investment had

been forecast to rise 4.5 per cent. but this is now expected to decline by 3.8 per cent.

next year, the agency admits that private consumption and business fixed investment, which

account for about 80 per cent of domestic demand, will be relatively sluggish. It is certain only about strong growth in public spending, which comprises about

7 per cent of the total Government ministers approved the EPA's forecasts, but hinted that the figures appeared to be over-optimistic. Mr Hiroshi Mitsuzuka, head of a powerful faction in the riding Liberal Democratic party was sceptical: "It another country, not our own."

sounds like you are talking about Most private estimates for GNP growth next year range between 2.3 per cent and 2.5 per cent. Yas-In defending the forecasts for uda Trust and Banking torecast 2.3 per cent growth for the 1993 fiscal year and 15 per cent for

Independent French bank

Continued from Page 1

the current situation, the best political and technical signal of our will to have from now on a firm monetary policy."

He was convinced from a recent "long meeting" with Mr Helmut Kohl, the German chancellor, of "the absolute determination of our partners" to support French efforts to maintain the franc's place in the European Monetary System.

The UDF supported the government's firm franc policy and would stick to this once in office. said Mr Giscard d'Estaing. He gave few details of the degree of independence envisaged for the central bank, but

would include directors from French regions, on German lines. "This would show that monetary policy does not only take into account Parisian aspects and market elements, but also . . .

the overall situation of the econ-

omy and its regional components," he said. Leadership of the RPR, the larger opposition party, is also wedded to defending the franc's parity in the EMS, a policy defended by Mr Edouard Balladur, finance minister in the 1986-1988 Gaullist government, who is tipped as a possible prime

minister in the coming adminis-Dissenting voices do exist in the party's populist wing, but so

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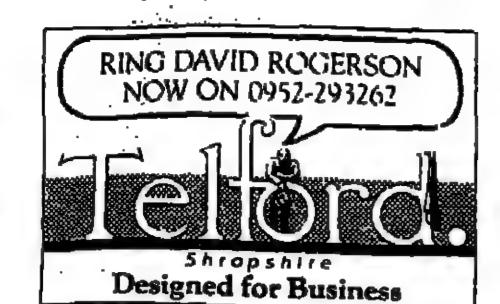
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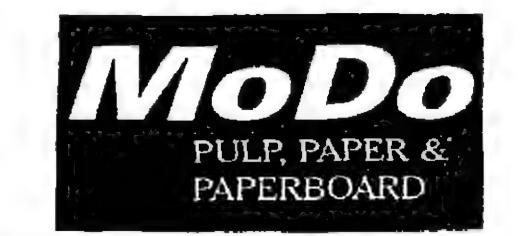


FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1992

Monday December 21 1992



INSIDE

Welsh Water acts before Ofwat review

Last week's sale by Welsh Water of its 14.9 per cent stake in South Wales Electricity is a mark of how serious the company has become about putting its house in order ahead of the 1994-95 review by Ofwat, the regulatory authority, which will decide pricing levels until the end of the decade. The move should blunt criticism of Weish's diversification policy. Page 16

Minebea smells a loss



Minebea, the world's leading maker of miniature bearings and one of Japan's post-war industrial success stories, appeared to be an endearing maverick for which nothing could go wrong, not its sudden move into selling cosmetics door-to-door nor even an excursion into Canadian pig farming. However, "Minebea calling" never quite became a household phrase and the Canadian pig farmers found themselves knee-deep in losses. Page 17

Inflation hopes soften gilt yields Gilt yields fell slightly as practitioners weighed signs about inflation trends with implications of the large volume of gilt issuance expected in the next year. Statistics last week gave few clues about the degree to which Britain is emerging from recession, and there are few unambiguous signs of an upturn. Page 18

Complaints over Eurobonds

Plenty of institutional investors complain about poor liquidity in the secondary market for Eurobonds, but marketmakers tend to play down investors' complaints. Page 19

CU revises pay-out policy

Commercial Union, the UK composite insurer. is to cut pay-outs on with-profit life policies. However, it will maintain annual bonuses on the policies, in a move which goes against the declared intentions of many rivals. Page 16

Market Statistics

FT-A World Indices

25 London share service Managed lund service 21-25 New int bond Issues

Companies in this issue

NINE days ago in Edinburgh, European Community leaders

reaffirmed their commitment

to the Maastricht economic

nomic and monetary union.

Air Canada Baidwin Honda Intl Food Machinery

Lucas Industries

another.

17 Minebea 16 Nedlloyd 16 Parke-Davis

17 RJB Mining 16 Simpsons of Cornhill 15 Storehouse 15 That Airways Intl 15 Union Carbide

Welsh Water

NEDLLOYD, the Netherlands' largest transport group, and its dissident shareholder Mr Thorsten Hagen, appear poised

The company's supervisory board has called for Mr Hagen to vacate his seat on it

immediately. and swift response to the Norwegian investor's public request last week for an extraordinary shareholder meeting to consider radical changes in the way the super- bers can suspend him from his duties, but

visory board is elected. Mr Hagen was reluctantly admitted to the supervisory board earlier this year after a long and

Nedlloyd said Mr Hagen's call for the extraordinary shareholder meeting violated promises he made to support the board and to uphold its strategy for turning around the loss-making company.

any dismissal will have to be sought through the courts, a procedure that would take months and would help to fan the animosity between the two sides.

ironically, the supervisory board had been forced to go to court earlier this year to get Mr Hagen admitted to the board in the first place after the company's works council tried to block his appoint-

Nedlioyd and Mr Hagen have clashed repeatedly over his arguments that the company should pursue a policy of rapid

Mr Hagen was sparked by the Norwegian investor's surprise call last week for an extraordinary shareholder meeting to discuss far-reaching changes in the company's articles of association and the dismantling of various anti-takeover

His main target was the supervisory board itself, which he describes as an entrenched body and which he argues should be elected by shareholders.

The board said it will respond to Mr Hagen's request for an extraordinary shareholders meeting in the first half of

Share price (pence)

ISOSCELES, the heavily-indebted

parent of the Gateway food retail chain, will announce the appointment of Mr David Simons, finance director of Storehouse, as group chief execu-

> The news should coincide with 38 banks, expected on Tuesday. The standstill will defer interest payments running at £9m (\$13m) a month, and principal repayments due in the spring. The group has loans of £1bn from banks and £375m from mezza-

Isosceles owns the Herman's chain of sporting goods shops in the US, which has been up for sale since the £2.1bn buy-out of

Unusually under the standstill banks will give up their "on demand" rights, which should

If agreed, the standstill would shareholders six months to arrange a financial restructuring tied to a strategy for the group, which is being advised by Coopers & Lybrand, the manage-

A business plan should be finalised by the end of January. The banks have been persuaded that Gateway's performance can be improved through relatively lowcost actions such as tightening control of stock, shrinkage and wages. Despite its problems. Gateway's operating profits are running at more than £100m a

Mr Simons, who is 45, is likely perhaps tied to any exit given to an eventual flotation.

Storehouse, the retail group where Mr Simons has been finance director since May last year, will release him from a commitment to stay until March. He will join Isosceles, with effect from January 1, replacing Mr Alistair Mitchell-Innes, who may stay on the board until March, having already announced his intention to leave.

Mr Simons is expected to

Nedlloyd board calls for Hagen to quit

By Ron van de Krol in Amsterdam

for another protracted battle.

The highly unusual demand was a direct

celebrated dispute.

Mr Hagen, who controls 25 per cent of Nedlloyd through shares and options, was

Under Dutch law, his fellow board mem-

unavailable for comment on his next

and heavy divestments. The latest dispute between Nedlloyd and

Lucas Industries at bay

Andrew Bolger on how the group has allowed itself to become a takeover prospect Lucas engineers defence against short-term views

UCAS, one of the UK's biggest and most technologically-successful engineering companies, is on full bid

The Midlands-based group is the City's favourite candidate for takeover, now recession has slashed its profits and a longplanned succession of senior management has collapsed.

Lucas shares touched a fiveyear low of 78p in September. valuing the group at a mere £550m - less than half its pre-recession peak in 1989. They have since recovered to

132p, fuelled mainly by speculation that the group is vulnerable to predators such as BTR, the acquisitive industrial conglomerate which last year snapped up the recession-struck Hawker Siddeley, another famous name in British engineering. Sir Anthony Gill. Lucas's 62-

year-old chairman and chief executive, is philosophical about the prospect of a bid, but unapologetic about the group's record: "People who own us have that decision to make, if it is presented to them. "I hope that they will decide to

keep us independent." To retain that independence. Lucas, already advised by Schroders, recently added the US investment bank Goldman Sachs

The core of its strategy will be defence of the group's long-term record of investment, which it says has put it in the world's top three suppliers for its chosen sectors of automotive and aerospace components, such as braking and diesel fuel injection

Sir Anthony says: "There isn't another company quite like us in the UK - our competitors are in Japan and Germany. Getting the long-term things right makes the difference between whether the

company does well or not. We do have the problem - which I'm not trying to whinge about that we are judged by short-term

"One year's pre-tax profits figure - that's at the margin of what we are doing."

The chairman points to Lucas's consistent record of growth in profits, earnings, and dividends until the present recession started: "There's no reason why we can't get back to the sort of margins we were making then."

He adds: "In the first and second years of the recession our sales went up, when other people's went down, and our profits were lower than other people's. The main reason was that we went on with engineering expen-

diture to take market share and win new contracts, some of which we haven't got income from yet. We could easily have battened down the hatches, not gone for new business, sacked our engineers - we didn't do

"We don't regret not doing

Sir Anthony was determined not to repeat the mistake which Lucas made during the last recession at the beginning of the 1980s, when it cut research and development spending - and lost market share to Bosch in two crucial product areas, anti-lock braking systems and petrol fuel injection systems, in which the German group is now world

He says: "Although we are now at least the equal to Bosch in technology, we have a smaller market share. We see the present recession within that context: it is a challenge to continue to manage our resources of people and cash for the future, but resist cutting back where that would mortgage our future." Lucas has been reducing costs.

In October the group said it had started a three-year restructuring programme to shed 4,000 jobs, half of them in the UK, to bring the workforce below 50,000, compared with more than 57,000 two years ago.

Although Sir Anthony says this is strategic reshaping, analysts disagree, and accuse him of being slower to respond to the downturn than rivals such as GKN, BBA and T&N.

n curious contrast to Sir Anthony's emphasis on the Lcompany's investment record. Lucas also says recent high levels of R&D - about £100m annually over the last three years - and capital spending at twice the rate of depreciation, are both set to fall, as programmes are completed. The group's main area of vul-

to manage the succession to Sir Anthony. He had been due to retire this year, but has now agreed to remain as chief executive for

nerability, though, is its failure

another year and as chairman until 1994. In February, Mr Tony Edwards, head of the aerospace division. was made chief executive desig-

In March Mr David Hankinson. then finance director who had been considered for the top job. left with compensation of £352,000 to give Mr Edwards a

clear run in his new role. In August Mr Edwards was told the board did not consider him to be suitable for the top post as chairman. In October he moved to rival TI Group.

Lucas last month appointed Mr Frank Turner, from Rolls-Royce, to head its aerospace group but it has gone back to the drawing board in the search for both chief executive and chairman. Sir Anthony denies any reluc-

Sir Anthony Gilli Chairman & chief executive: Pre-tax profits (£m)

Sales (£bn)

tance to hand over the reins of the group he has dominated for

"Just ask my wife about that." he says grimly, explaining that he had promised her he would retire this year.

is haunted by the example of Hawker Siddeley, which last autumn depressed the market with a gloomy trading statement. The next day BTR pounced. With that example in mind,

Lucas was careful to accentuate the positive when announcing its annual results in October. It dipped into reserves to keep a 7p total dividend, and expects to generate enough profits in the year to July 31 to cover a maintained pay-out of £50m. Analysts are sceptical, given that the group has said the first half is likely to be flat. However, the group is confident that it will achieve its target of £100m from disposals in the current year.

Sir Anthony had a personal While he remains in his job, he interest in the fate of Hawker, in the shape of Mr Alan Watkins, who joined it as chief executive from Lucas two years before BTR's bid. He said: "Poor Alan Watkins took a bit of the Lucas culture with him. The market is very, very impatient and when they did not see enough happening, they persecuted him and did not give him the benefit of the doubt. I hope they would give us the benefit of the doubt, because what we are doing is consistent

Isosceles recruits Storehouse director

By Maggie Urry In London

tive this week. a standstill agreement with its

nine lenders.

Gateway in 1989.

reassure Gateway's suppliers to continue extending trade credit. At any time Gateway can have more than £300m of stock on credit. Without the standstill Gateway could go into receivership, risking 40,000 jobs. give Isosceles, its banks and

ment consultants.

year. to receive a contract with a substantial success-related element, banks and shareholders such as

spend most time at Gateway's Bristol beadquarters, and to move the Isosceles head office to with what we said we would do." | Bristol.

Exchanges spurn much-vaunted convergence criteria as part of the EC's drive towards eco-The intervening days have shown just how irrelevant

these criteria are to the foreign exchange markets which act as the judges of one nation's economic standing against For if the Maastricht criteria,

with their insistence on low inflation and sound budgetary policies were any guide, the D-Mark would have been under pressure to devalue in the European exchange rate mechanism last week and not the French franc.

since-September have gone a long way to justify the criticism of Str Alan Walters, Mrs Thatcher's economic adviser when she was prime minister, that the European Monetary System is "half baked" and doomed to instability.

The system has certainly been inhospitable to France. which fulfils the Maastricht criteria more fully than any other big EC nation.

France has pushed its annual inflation rate a good percentage point below that of Germany to well below 3 per

It meets the Maastricht requirement of having a budget deficit of less than 3 per cent of gross domestic product. It has been categorised by the Organisation for Economic Co-operation and Development as a "low debt country".

France's reward has been to suffer repeated speculative selling of the franc over the past three months that has forced it to have higher short- and long-term interest rates than Germany.

It might be argued that this is not the fault of the ERM, but of financial markets,

The markets see, rightly. that France may be heading into a period of political uncer- past year.

Maastricht rules

tainty ahead of the March national assembly elections. They believe, probably wrongly, that the D-Mark is a more credible currency than the franc because it has never

But the French franc's prob-

lems should also be telling the EC's policy makers that the Maastricht convergence criteria are too crude a yardstick if Developments in the ERM the ERM is to continue to act as a glide path to Emu. Because of events since Sep-

tember, some EC monetary

Britain.

Bank of France to defend the franc with high interest rates while sheltering its domestic economy from the effects of such measures.

In September, when the

franc was under its heaviest

selling pressure, the Bank of

sufficient eighbors in its

money market operations for

normal domestic needs at the

intervention rate of 9.60 per

cent. But it pushed up its emergency rate at which it lends

against collateral for five to 10

days to 13 per cent from 10.5

tion against the franc more

of the securities that banks

repurchase arrangements.

Many speculators wanting

francs to sell were therefore

money market, where rates

rose to more than 30 per cent.

During this period the banks

were able to hold their rates

stable for their domestic cli-

per cent.

By Peter Norman

experts believe convergence should be considered over a far wider spectrum of economic activity than laid down in the France made sure it supplied

Largely ignored so far, is the very wide gulf that exists between economic interests and aspirations of the low-inflation countries grouped around Germany and the EC's poorer peripheral nations such as Spain, Portugal, Greece,

The former group increasingly are "rentier" societies with financial assets spread widely through the population and an interest in preserving the value of those assets through price stability. For the other group, a main attraction of EC membership should be the opportunity of faster growth: an opportunity that has been frustrated by high German interest rates over the

At the micro-economic end of the spectrum are the different national techniques of monetary policy and monetary policy instruments, where the recent experiences of France and the UK point to future problems on the way to Emu. One reason France has been able to fend off the speculators has been the ability of the

Economics Notebook

Ireland and, it must be said.

Such an approach was impossible for the UK authorities in September. The government floated the pound on Black Wednesday when it became clear that the announcement of 15 per cent base rates had failed to stop the selling of sterling. It knew that the high interest rate would have been passed on almost immediately by banks and building societies to their customers.

The UK has a banking system that is far more marketoriented than some on the continent. UK banks pay market or near market rates on the great bulk of their liabilities. They no longer have a significant income endowment from non-interest bearing current England actions in the money market are almost immediately reflected in the UK banks'

interest rate structure. France's recent experience has shown that fulfilling the of vehicles to their customers. Maastricht criteria is no safeguard against speculative attack. If Britain were to rejoin the ERM with the Maastricht criteria fulfilled, it would, in conditions such as the past three months, presumably maintain sterling's parity. The | the lew growing areas of the UK's money market structure and system of interest rate determination would make it less likely that the UK could win that battle than France so | America. Honda has long far this year.

So long as the ERM retains its present characteristics, This move to make speculaeventual UK re-entry would time needed to develop a suittherefore seem to involve an able product in an area where expensive was reinforced by a unpalatable choice. Either it had no experience. Britain would have to accept particularly fastidious choice that sterling was more vuinercould offer for francs in the able than other currencies because of its financial system. forced on to the domestic needs of the UK economy.

moving rapidly to Emu by 1999

at the latest.

Honda and Isuzu to sell each other's vehicles

By Steven Butler in Tokyo

HONDA Motor and Isuzu Motor, the Japanese carmakers, have agreed to sell each other's vehicles following Isuzu's decision last week to halt production of passenger

another step in the consolidation of the Japanese car indusaccounts. As a result, Bank of try, which is struggling under a burden of vast excess production capacity. Under the agreement, dealers of each company will be

able to offer a broader range

while providing expanded

sales outlets for each com-

The agreement marks

The agreement also remedies an important strategic weakness of Honda, which had nothing to offer in the area of have a difficult struggle to recreational vehicles, one of car market in North America. Honda is to sell the Isuzu Rodeo, a recreational vehicle. under its own label in North talked about offering recre-

> The vehicles are produced in Indiana, in the US.

ational vehicles to its custom-

ers, but balked at the cost and

Isnzu, for its part, will begin to market Honda's small pas-Or it would have to change senger cars under its own that system, even though it label in Japan as it phases out has evolved to suit best the production of its own cars. Isuzu will also halt the supply These are big issues and they of small cars to General throw yet another question | Motors, which owns a 37 per

mark against the EC's goal of cent stake in the company. Isuzu has operated in the red for the past two years.



Barclays de Zoete Wedd was lead manager in the issue of £200,000,000 7 3/5 per cent bonds due 1998

DECEMBER 1962



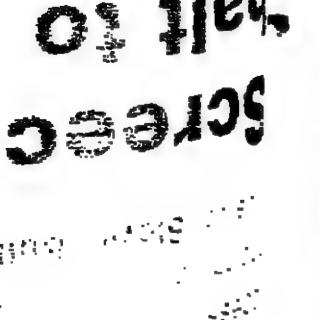
European Investment Bank

Barciays de Zoete Wedd was lead manager in the issue of £200,000,000 7 per cent notes due 1998

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City welcomes electricity sale

Welsh Water can now change its direction, writes Angus Foster

AST week's sale by Welsh Water of its 14.9 per cent stake in South Wales Electricity is a mark of how serious the company has become about putting its house in order ahead of the 1994-95 review by Ofwat, the regulatory authority, which will decide pricing levels until the end of the decade.

The move should blunt criticism of Welsh's ambitious diversification policy. It follows a decision in June to voluntarily give up some price increases, ahead of other water companies, and silence critics of its profit levels.

The electricity stake was always controversial, even though Welsh made more than £17m profit on the investment. Mr John Elfed Jones, chairman, claimed the two utilities could make savings by combining functions like billing and information technology. Unfortunately, in the narrow world of Welsh business, the aggressive style in which the stake was taken led South Wales to treat it as hostile and reject all advances on co-operation.

Welsh's decision to sell was welcomed in the City, which feared the company's expansion plans could lead to conflict with Ofwat. "It shows it is possible to admit you've got something wrong and get out with credit," according to Mr Robert Miller-Bakewell, analyst at County NatWest.

The sale clears the way for Welsh to change direction on its unregulated business. Mr Jones steps down as chairman in April and strategy will be led by his successor, Mr Iain Evans, and group managing



John Elfed Jones: faced rejection from electricity company of all advances on co-operation after aggressive style of acquisition

director Mr Graham Hawker. Welsh's unregulated busiing consultant Wallace Evans, hotel and leisure group Hamdden and an "enterprise" company with pipeline and waste contracting, will probably become lower key. Plans to develop Hamdden are likely to remain on hold. Some analysts believe Welsh would sell the division if hotel prices had not fallen so much.

This will leave Welsh to concentrate on its core, regulated business ahead of Ofwat's review and gradually develop its enterprise businesses, most of which were spun out of the core following privatisation and are lower risk.

According to Mr Hawker: "We intend to give our non-reg-

ulated businesses more focus. and only in areas where our core skills are relevant".

Most analysts agree that because Welsh's capital investment targets were less onerous than others, its price rises agreed at privatisation were generous. Its post-1995 price increases, initially set at 5 per cent above inflation, look vulnerable to regulatory review.

The electricity sale, and the voluntary abatement of some price increases earlier this year, will go some way towards improving Welsh's regulatory image. "This reduces the chances of them being harshly treated at the review, although they are not totally out of the woods," one analyst said.

The sale may also mark a watershed for the water sector

generally. Because the regulated environment is expected to become tougher following Ofwat's review, companies argue that unregulated businesses will become more important as a source of profits to maintain dividend growth.

Welsh's expansion outside water-related fields was the most high profile, but few other water companies have been successful developing non-core businesses.

Some, such as Southern Water, are making profits from businesses like pipe-laying which have been transferred out of the core. But others, Severn Trent among them, which expanded more aggressively have yet to make money. Severn Trent last year paid £212m for Biffa, involved in waste management, and which is expected to make operating profits of about £12m this year, compared to interest

Main problem with Biffa, and engineering ventures made by other companies, is the recession. Welsh regularly complained that some of its enterprise businesses were at the start up stage and during recession should not be expected to make money.

Because of the pressure to maintain dividend growth. water companies will continue to try and develop unregulated businesses, even moving into unrelated fields. However, following Welsh's tactical withdrawal, companies are unlikely to make high-profile acquisitions to diversify ahead of the 1994 review.

Budge, the brother of Richard. AF Budge went into receivership earlier this month. The mbo was financed with tium including Schroder Ventures. Charterhouse

Budge and the senior management are also shareholders. shares of International Food Machinery which has joined the official list through a the meat and bakery trades. The money is to purchase JH Food Machinery, which specialises in fish processing machinery, and to restructure working capital. IFM's market

RJB plans flotation for greater flexibility

By Maggie Urry

RJB Mining, the open-cast coal mining group, plans a flotation next year with a value at over £100m. It has appointed Barclays de Zoete Wedd as financial advisers, and BZW's broking arm de Zoete & Bevan as broker to the issue. The aim of the float is

greater financial flexibility, enabling, for example, a bid for parts of British Coal. A bid could be made for some of the 31 collieries whose future is currently being reviewed by a Commons select committee. Mr Richard Budge, chief executive, said it "will provide us with additional funding

flexibility as we look for fur-

ther expansion opportunities". These could stem from the coming liberalisation in the coal industry. In the past Mr Budge said he could run British Coal's pits more cheaply, cutting 20 per cent from costs. In 1991 RJB made turnover of £76m and operating profits of £15m. Its operations, which began in 1974, are entirely in the UK. It runs 11 opencast and one deep mine. It is also involved in private mining under licence and in all has

coal reserves. Its other operations include coal washing and land reclamation. RJB was the subject of a £106.5m management buy-out in February from AF Budge, the private construction company headed by Mr Tony

interests in about 2m tonnes of

£45m of equity from a consortures, Midland Montagu Ven-Development Capital and Prudential Venture Managers. Some of the equity investors are expected to stay with RJB after the float. Mr Richard Trading starts today in the £3.9m placing at 51p a share. IFM trades in used food processing machinery mainly for

CU decides to cut pay-outs on with-profit life policies

By John Authers

COMMERCIAL Union, the composite insurer, is to cut pay-outs on with-profit life pol-

However, it will maintain annual bonuses on the policies, in a move which goes against the declared intentions of many of its rivals.

Actuaries for several large life insurers, including Standard Life and Norwich Union. had made it clear that cuts in annual or reversionary bonuses, which are declared each year and then cannot be taken away, could be necessary

This follows several years of indifferent investment returns compared to those achieved in the mid-1980s.

But CU, the first life office to announce its bonuses for 1993, may have damaged what appeared to be a comfortable industry consensus. This should allow it to maintain a high position in competitive league tables of with-profits performance, which is vital for distributing through indepen-

However, CU has also cut the amount it pays in "terminal honus" which is added at the

end of a policy. This means that total pay-outs on a typical policy will drop by around 4 per cent - still less than some observers have predicted.

It is also cutting the interim reversionary bonus, appliable for those who die during the next year, from 5 per cent of the underlying sum assured to 4.5 per cent.

The company admits that this indicates that bonuses can be expected to fall next year. CU says that it may be drawing slightly on the reserves of its life fund to pay the

Driving force behind mergers

dent brokers.

INDUSTRY restructuring remains an important driving force behind many international mergers and acquisi-

British Airways furthered its ambitions to be a truly global airline by winning with its bid for a 25 per cent stake in Australia's Qantas.

Italian flag carrier Italia is joining in the trend for airlines to strike alliances by taking a 30 per cent stake in Maley, Hungary's national car-

In the financial services sector. Arthur Andersen, the international accountancy firm, announced an affiliation agreement with Asahi Shinwa of Japan, paving the way for a

Hafnia, the troubled Danish insurance company, started its planned series of disposals with the sale of Prolific, its UK

Scottish Provident. Fisons, the UK pharmaceuticals and scientific group, continued with its restructuring by selling its UK consumer healthcare business to Hoffman-La Roche of Switzerland. The demand for a stake in the

life insurance subsidiary, to

reflected in the generous price Tesco's acquisition of the Catteau supermarket chain in France, giving it a toe-hold in

Europe, is being taken as an

indication that the major UK

over-the-counter market was

retailers will expand into Europe as their home market becomes saturated.

Tesco said Catteau represented an excellent opportunity to acquire a French retailer in the same sector as its own core business, and that the combination of existing management's local experience and Tesco's expertise will further enhance Catteau's growth

prospects. The third round of bidding in the privatisation of Argentina's gas industry saw British Gas double the size of its global gas division as the consortium it led won the auction for Distribuidora de Gas Metropolitana, the country's largest gas dis-

CROSS BORDER M&A DEALS											
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT							
British Airways (UK)	Qantas (Australia)	Airlines	£291m	BA futhers global ambitions							
British Gas (UK)	Distribuidora de Gas Metropolitana (Argentine)	Gas distribution	£197m	BG consortum bid wins							
Hoffman-La Roche (Switzerland)	Unit of Fisons (UK)	Healthcare	£90m	Fisons continues restructuring							
Jardine Strategic Holdings (Hong Kong)	Cycle & Carriage Co (Singapore)	Conglomerate	£82m	K10 sells 16% stake							
Scottish Provident (UK)	Unit of Hafnia (Denmark)	Insurance	£81.75m	Hamia starts disposais							
Horsham (Canada)	Clark Oil & Refining (US)	Oil	£63 m	Buying outstanding 40%							
Alitaita/Simest (Italy)	Maley (Hungary)	Airlines	£48m	Links grow in sector							
Pittencrieff (UK)	Commercial Redio Service/ Mounts Tower Leasing (US)		£4.1m	Expanding interests in sector							
resco (UK)	Etablissements Catteau (France)	Retailing	£175.6m	Could start UK/Europe trend							
Arthur Andersen (inti)/ Asahi Shinwa (Japan)	Affiliation agreements	Accountancy	n/a	Paves way for merger							

Baldwin makes offer for the balance of Simpsons

By Tim Burt

BALDWIN, the group whose activities cover holidays, printing and property, has announced an unconditional offer to buy any remaining shares in Simpsons of Cornhill, owner of the City chop house in which it recently acquired majority control.

The paper offer of one Baldwin share for every two Simpsons values the restaurant company at £1.68m, or 37p per share. When the company was floated on the USM last year investors paid 50p per share.

Since the bid was first announced last month holders Gay Hussar.

of 62.8 per cent of the ordinary and 450,000 of the 'A' shares, or 75 per cent, have accepted.

The latest move could signal the end of any remaining resistance to the offer from the rebel group which earlier this year tried to oust the Simpsons

The directors expect, through the enlarged group, to be allowed to expand the restaurants business in London and the south east. ' In addition to Simpsons and the Jamaica Inn in the City, the company also owns two

central London bistros and has management contracts to operate other eateries such as the

Thai Airways bond issue to purchase new aircraft

By Victor Mallet

THAI Airways International intends to issue Y20bn (£105.8m) of Samurai bonds in 1993 or early 1994 and to seek \$144m (£94.7m) in loan guarantees from the US Eximbank to finance the purchase of new aircraft, the company

According to Thai's firm order delivery plan, four new aircraft are due to be delivered in calendar 1993 - two Airbus A300-600R, one Boeing 747-400 and one Boeing 737-400.

A total of 25 new aircraft with firm orders are scheduled for delivery before the end of

That said its investment budget for the current fiscal year. ending September 30 1993 was Bt10bn, only a third of last year's figure.

Since the civilian government wrested control of Thai from the air force in September, the new management has begun to rationalise the fleet. retiring its DC-10 and BAe146 aircraft and cutting seat-kilometres flown by four per cent.

The state sold 7 per cent of That to the public earlier this year, and hopes to sell another 14 per cent when stock market conditions are favourable. The shares are currently languishing below the 60-baht initial public offering price. value is £8m.

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rating S&P - ADI	EF; AAA n
Assets	FF 52,7 bn
Portfolio structure:	
share of floating rate investment	63,5 %
 fixed rate investment at 45 days average 	
Performance over one ye (29.11.91-30.11.92)	ear 10,45 %*
Average performance of oth funds in the same category (same period)	er 10,28 %*
as at 30 november 1992	Source Micropal

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For turther information contact: Patrick A-DORMEUIL (33-1) 42 79 56 59.

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USD New Money Series A. In accordance with the provisions of the Bonds, notice is hereby given that for the interest. Period from December 18, 1992 to June 18, 1993 the Bonds will carry an interest Rate of 4%% per annum. The interest payable on the relevant interest payment date, June 18, 1993 will be U.S. \$24.01 per U.S. \$1,000 principal amount. By: The Chase Manhattan Bank, N.A. O CHASE Agent Bank December 21, 1992

> U.S. \$5,153,850,000 Floating Rate Bonda due 2007 USD Debt Conversion Series DL

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The Republic of Venezuela O CHASE **Notice of Early Redemption** U.S. \$300,000,000



Woodside Financial Services Ltd. (Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes Due July, 1997 (the "Notes")

Unconditionally Guaranteed by **Australian Industry Development Corporation** Notice is hereby given that in accordance with Condition 6(b) of the Notes, Woodside Financial Services Ltd. (the "issuer") will redeem all Notes at their principal amount on the next interest payment date. January 29, 1993 (the "Redemption Date") when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes at the offices of any of the Paying Agents listed below together with all unmatured Coupons. Unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof.

Notes and Coupons will become void unless presented for payment within a period of 10 and 5 years respectively from the Relevant Date (as defined in Condition 8 of the Notes). PRINCIPAL PAYING AGENT

> The Chase Manhattan Bank, N.A. Woolgate House Coleman Street London EC2P 2HD **PAYING AGENTS**

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetis L-2338 Luxembourg Banque Bruxelles Lambert S.A.

Chase Manhattag Bank (Switzerland) 63 Rue du Rhône 1204 Geneva The Chase Manhattan Bank, N.A. 4 Chase Metrotec Center

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NOTICE IS HEREBY GIVEN, pursuant to Condition 7(C) of the Terms and Conditions of the Notes, that the Issuer will, at the option of the holder of any Note, purchase on the Interest Payment date falling on the 22nd March 1993, such Note at its principal amount. To exercise such option, the holder must deposit such Note in the case of a Bearer Note, with any Paying Agent or, in the case of a Registered Note, with the Pagistrar or any Imposter Acent during the tered Note, with the Registrar or any Transfer Agent, during the penad beginning 20th January 1993 and ending 5th February 1993.

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balance of the Hegister will struck on Thursday, 14th January, 1993 for the preparation of the half-yearty dividend payable on the SECOND PREFERENCE SHARES for the six months anding Stat January, 1993. The dividend will be peid on 1st February, 1993.

For Transferoes to receive this

dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Ptc, Registrar's Department, The Causeway, Worthing, West Sussex, BN99 6DA, no leser than 3.00 is.m. on Thursday, 14th January, 1993. By Order of the Books Landon, SEL TEA. J.A. Carelle . . . 21st Beneraber, 1982 - Secretary

£150,000,000

Floating Rate Notes due 1997 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 17th March, 1993 has been fixed at 7.5% per annum. The interest accruing for such three month period will be £184.93 per £10,000 Bearer Note, and £1,849.31 per £100,000 Bearer Note, on 17th March, 1993 against presentation of Coupon No. 2.

Union Bank of Switzerland London Branch Agent Bank 17th December, 1992

RHONE-POULENC S.A. USD 300.000.000 **UNDATED FLOATING** RATE CAPITAL NOTE For the period December 18, 1992to June 18, 1993 . . . the new rate has been

December 21, 1992

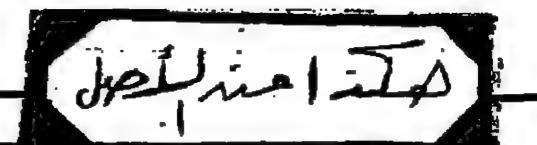
fixed at 4,34375 % P.A. Next payment date : June 18, 1993 Coupon nr: 13. Amount: USD 219,6 for the denomination of USD 10 000 USD 2196,01 for the denomination of USD 100 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE

15, Avenue Emile Reuter

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FLOATING RATE NOTES For the period
December 18, 1992
March 18, 1993 the new
rate has been fixed
at 10,60 % P.A.
Next payment date
March 18, 1993
Coupon nr: 24
Amount:
FRF 265 for the THE PRINCIPAL PAYING. 15, Avenue Emile Reuter



SME sells controlling stake in sweets unit

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DEALS

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LINGS

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SME, the Italian state-owned foods, catering and retailing group which is high on the government's privatisation list, has sold control of its Adams sweets and candies subsidiary to Parke-Davis of

Parke-Davis is paying just L660m (\$484,783) for the 51 per cent of Adams it does not own. However, it will take over Adams's debts of about L22bn and losses this year estimated to be about L11bn.

Adams, which expects sales of L45bn this year, is the third of the four joint ventures set up by SME in recent years to have been sold to the minority partner as part of the group's Strategy to divest non-core food production activities.

 Barilla, Italy's biggest privately-owned foods group. which is a market leader in pasta, biscuits and cakes, expects group sales to rise by about 20 per cent this year to

L3.350bn. Part of the increase stems from the consolidation of Pavesi, in which Barilla holds 59 per cent of the shares having bought a further 10 per cent from SME earlier this year. Pavesi's turnover is expected to reach about L320bn this year.

In 1991, Barilla made net profits of L155.5bn on group sales of L2.754bn.

 Carrefour and the German retail group Metro Vermoegensverwaltung will create a joint venture in Italy, said the French hypermarket's newly nominated chief executive Mr Daniel Bernand, Reuter reports from Paris.

He added that Carrefour will hold 60 per cent of the capital of the venture and Metro 40 per cent. Carrefour's store near Venice, scheduled to open in May, will be part of the venture. Metro has no outlets in Italy at present.

Union Carbide offloads \$150m assets

By Alan Friedman in New York

assets by the end of 1993.

Mr Robert Kennedy, chairman of Union Carbide, said the 1992 asset sales included the company's investment in Exel Limited, a casualty insurance company; and Carbide's interests in Kemet Riectronics and in a Canadian financial trust.

Mr Kennedy said that talks were still under way with prospective buyers of Carbide's Organo Silicon business, a division that makes fluids and

The Union Carbide chairman, in a year-end letter to employees, called 1992 one of | do." the toughest in memory.

Maverick Minebea bears down on profits recovery

Robert Thomson on policy changes at the troubled group that was one of Japan's post-war industrial success stories

inebea, the world's leading maker of miniature bearings and one of Japan's post-war industrial success stories, appeared to be an endearing maverick for which nothing could go wrong, not its sudden move into salling cosmetics door-to-door nor even an excursion into Canadian pig farm-

However, "Minebea calling" never quite became a household phrase and the Canadian pig farmers found themselves knee-deep in losses, which contributed to the company's consolidated loss of Y13.6bn (\$109.3m) in the year ended September, the first since its

founding in 1951. Minebea accepts these ventures may not have provided much synergy with bearings, but the company does take exception to suggestions that another cause of its troubles was an over-reliance on zaiteku, the financial engineering particularly popular during the

late 1980s. The company provided against securities appraisal losses of Y2.9bn in the first half, but Mr Ryusuke Mizukami, general manager of corporate planning, said conclu-

sions drawn in the Japanese press about Minebea's fondness for financial engineering were

"They put us in the same category as companies which were very heavily involved in

"We do have a big stock appraisal loss, but we had made a decision not to buy shares for the purposes of making money during the bubble period. We bought Tokyo Power shares, but at that time, the price was much higher than the present price." Mr Mizukami said.

Falling Tokyo stock prices certainly dented the parent company's current stock assets, which have a book value of Y43.8bn, and a market value at the end of September of only Y27.4bn. Meanwhile, Japanese banks, now painfully aware of lending risk, are wary of zaiteku companies and of those struggling to stay out of the red.

"We certainly didn't want to report a shameful big loss, and our president has been touring the country explaining the situation." Mr Mizukami

"Our banks will be more cautious if we report more losses.

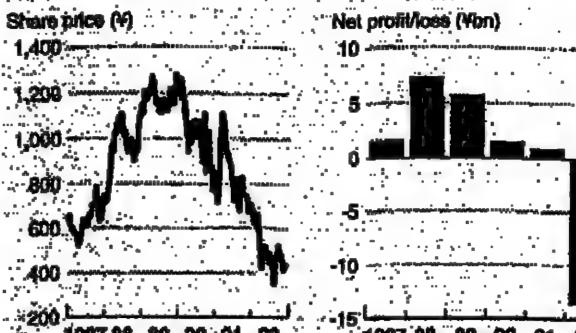
so we are concentrating on profit recovery."

Sales of core industrial products have risen in the first few weeks of the present year, Mr Mizukami says, and the lossmaking hog farm and cosmetics business have been closed. But Minebes insists it is not restructuring or going back to basics, and will maintain its diverse interests in kimonos and consumer credit.

n sifting through the diversifications, Minebea is Lundergoing a painful reevaluation of investment decisions made by its late head, Mr Takami Takahashi, who fostered the remarkable growth of the bearing business, but also indulged himself in a boyhood ambition to raise pigs.

When establishing a bearings mother factory outside Tokyo, the company bought an adjoining tract of land with the intention of creating a pig farm, a plan shelved after opposition from the local coun-

After more frustration in Thailand, Mr Takahashi's ambition was ultimately fulfilled in 1989, the year of his



death, when Northern Manitoba Breeders was founded in

Canada. Minebea owes much to Mr Takahashi for taking the bearing production to Thailand in 1982, before it became fashionable to establish offshore

Of a monthly output of just over 80m bearings, 60m are produced in Thailand and 20m in Singapore, plus smaller quantities in Japan and the UK, where it bought Rose Bearings in 1988.

The acquisition and diversification drive by Mr Takahashi, who bought 22 compathose of others fell by 72 per

Total sales were down by 2.4 per cent to Y278.7bn, far below the company's long-cherished target of Y1,000bn.

Much of Minebea's future profitability will depend on the fate of NMB Semiconductor, an increasing burden on the group since its founding in 1984, NMB was focused on the memory chip market, weak for much of the past two years, but stronger recently, thanks to a recovery in US personal computer demand and a US dumping action against South Korean producers.

nies in 15 years, was done in The Japanese electronics the belief that size itself is an industry, generally, has suffered because of over-capacity He explained that "big indusand over-ambitiousness in tries generally enjoy advansemiconductor production. tages or profits from their leading to unexpectedly weak superior positions", though he. prices for the present perhaps, did not fully recognise generation of 4Mbit memory the danger of low-yielding

> "Semiconductors were a very bad area for us last year. No company did well out of semiconductors." Mr Mizukami

> "We are able to make 16Mbit chips, but we are not going to compete with people like Fuitsu, NEC and Toshiba to make a 256Mbit chip."

Mr Goro Ogino, Minebea's president, has taken personal responsibility for turning NMB around, but the company is still a regular source of M&A rumours in Japan, with persistent suggestions that Intel of the US, its partner in a project to make flash memory chips,

he rumours are denied by Minebea, which is hopeful the growing variety of NMB products will ensure its profitability, as will an eventual recovery in the international economy.

Similar hopes are held for Minebea Credit, a financial subsidiary bruised by the collapse of property prices and an increase in personal bankrupt-

may be a buyer.

"We see no fundamental problems at Minebea Credit Consumer credit is about two thirds of the business, and this doesn't involve such big amounts.

"We are not like the nonbanks who lent for speculative activity. About a third was real estate-related, and while there are some small problems, there are no serious problems." Mr Mizukami explained.

Israel bank share sale heavily oversubscribed

By Hugh Carnegy in Jerusalem

A Shk150m (\$58m) public share issue by the First International Bank of Israel was some 400 times oversubscribed on the Tel Aviv stock exchange, testifying to pent-up demand for stock in the country's banks, most of which are majority-

Initial counts showed applications for the issue totalled about Shk60bn. Taken with a Shk100m offering placed with institutions, the issue amounts to a 20 per cent share in Fihi, Israel's fifth largest bank which is controlled by the Safra family of New York.

The issue underlined the market's impatience for the government to sell its majority holdings in the four senior banks - Bank Hapoalim, Bank Leumi, Israel Discount Bank and Bank Mizrabi - on the stock exchange. Last month, the state's 42 per cent share in IDB Holding. the investment arm of Israeli Discount Bank, was success-

fully floated on the exchange.

raising \$350m in another

strategy of selling by private tender controlling shares in the core banks has come unstuck. Last week, the Bank of Israel refused to issue a banking permit to Mr Gad Ze'evi who had an agreement with the government to buy a controlling stake in Bank Mizrahi. First International Bank traditionally the most profitable of the five main banks. aims to use the funds raised in the issue in its bid to buy Bank Igud, an offsboot of Bank

CBOT members reject new trading facility

Laurie Morse in Chicago

Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange.

Mr William O'Connor, CBOT

post as chairman in January.

 Air Canada would post a loss of about C\$300m (US\$234.3m) for 1992 after restructuring charges, and 1993 will again be turbulent, Mr Hollis Harris, president, predicted, writes Robert Gibbens in Montreal.

In 1992 Air Canada lost C\$218m, as it began a fare war with its rival Canadian Airlines, owned by PWA in Calgary. Both airlines have been ordered by the federal government to reduce capacity and cease the damaging fare

Air Canada is trying to complete a joint venture takeover of Continental Airlines in the US and marketing agreements with United Airlines and Air France, while PWA is negotiating a marketing and financial Mr O'Connor will leave his deal with American Airlines.

RAND MINES LIMITED

balance sheet.

Mr Mizukami said.

important asset in Japan.

assets weighing heavily on the

product. Electronics-related

products are very important."

electronic devices, and machin-

ery components accounted for

80 per cent of the total, while

Last year, sales of bearings.

"Bearings are still our key

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of members of the company will be held in the boardroom, first floor, Randcoal House. 21 Chapter Road, Blovo. 2193. Johannesburg, at 11h30 on Tuesday, 12 January 1993, for the purpose of considering and, if deemed fit, passing the following resolutions with or without modification

Special resolution No 1 Resolved that the company's authorized share capital of R20 000 000, divided into 20 000 000 shares of R1 each, be and as hereby increased to R20 000 100 divided into 30 000 000 ordinary shares of R1 each and 10 000 variable rate cumulative redeemable preference shares of one cent each, by the creation of 10 000 variable rate cumulative redeemable preference shares of one cont each with the rights and obligations set out in Article 20A, and that clause 5 of the company's memorandum of association be altered accordingly.

Special resolution No 2 Resolved that, subject to the passing and registration of special resolution No 1 in the notice of general meeting to which this resolution constitutes special resolution No 2, the company's articles of association be amended by the inclusion of the following article No 20A:

Each of the 10 000 variable rate cumulative redeemable preference shares of one cent each ("the preference shares"), shall when usued, together with all other preference shares usued on the same date and with the same dividend tate, constitute a separate class of the profesores shares Each such separate class of preference shares shall be identified by a different lener of the alphabet and the preference shares of each such separate class of preference shares shall carry the following rights and be subject to the following conditions in which each such separate class: shall be referred to as "a class of preference shares"

the right to receive out of the profits of the company which the company determines to distribute from time to time and in priority to all other shares for the time being assued by the company, but pari passu with every other class of preference shares, a fixed or variable cumulative preference dividend calculated on the subscription price (being the par value plus the premium at which each preference share of that class of preference shares was issued) at

a rate determined by the directors prior to the issue of that class of preference shares. Such dividend shall be referred to herein as "the preference dividend"; 1.2 the preference dividend shall be calculated and paid by not later than 3.1 May and 30 November of each year and on the redemption date determined in terms of sub-article 1.7

The last preference dividend shall be calculated from the day following the last day of the preceding dividend period until the day preceding the redemption date, both days included, 1.3 the right on a winding up of the company or on a repayment of capital, to repayment of their subscription price together with the preference dividend (whether declared or not) calculated to the date of repayment, in priority to any other shares for the time being issued by the company, but pan passu with every other class of the preference shares;

save as set out in sub-articles 1.1 and 1.3, the preference shares shall not be entitled to any further participation in the profits of the company or any distribution of the assets or capital of

general meeting of the company but shall not be entitled to vote unless: 1.5.1 the preference dividend in respect of any period or any redemption monies are in

arrear and unpaid for more than 7 (seven) days on the date upon which the nonce convening that general meeting is posted to members of the company, in which event the holder of each preference share shall be entitled to vote on all resolutions to be proposed at that meeting, or.

1.5.2 if sub-article 1.5.1 does not apply, a resolution is proposed:

1.5.2.1 for the reduction of the company's share capital or share premium, or 1.5.2.2 (or the cancellation of any preference shares of the class of preference shares

of which the holder holds shares, or

1.5.2.3 for the authorisation of the disposal of the whole or substantially the whole of the company's undertaking or the whole or a major part of the company's assets, or

1.5.2.4 which, directly or indirectly and adversely affects any of the rights or conditions set out in this article and relating to the class of preference shares of which the holder holds shares. in which event the holder of preference shares of the class of preference shares

concerned shall be entitled to vote on that resolution only, provided that the rights and conditions attaching to a particular class of preference shares shall not be deemed to be adversely affected by the creation or allotment of any further shares (other than preference spaces of another class) unless those new shares rank as regards participation in the profits or assets of the company in some or in all respects in priority to the class of preference shares concerned.

18 if any holder of a preference share is emitted to vote stitering of sub-article 1.5, then on each resolution on which that holder is entitled to vote, that holder shall, if present in person, have one vote on a show of hands and if present in person or by proxy, have one vote on a poll for each preference share of that class of preference shares in respect of each resolution on which he is entitled to voto:

subject to the provisions of the Act, the company shall redeem the preference shares by no later than 31 january 1996 or 3 (three) years and 1 (one) day after their date of usuc. whichever is the later (or the next business day should such day fall in a weekend or on a public holiday) in accordance with the following provisions: 1.7.1 all the preference shares of a particular class of preference shares shall be redeemed

on the same date. 172 the preference shares shall be redeemed at their subscription pince, and the

redemption monies shall be paid subject to and in terms of sub-article 1.7 5. I 7.3 there shall be paid on the preference shares to be redeemed all preference dividends uncluding any which are in arrear) accrued in respect of those shares up to and including the date determined for their redemption, which preference dividend shall be

174 the company shall give 30 (thirty) days nonce of redemption of any class of the preference shares to the registered bolder(a) of the preference shares of that class. share warrant holder may be represented at the meeting will be issued

21 December 1992 Copies of a carcular to shareholders which provides further details of the proposed restructuring of the company and related matters are available from the registered office, the office of the United Kingdom Secretaries and from

|ohamesburg

which notice shall specify the time and place for payment of the redemption montes.

and preference dividends due and specify an address for surrende, to the company of

share certificates for the preference shares to be redocmed. The requirered helders of

the preference chares concerned shall be bound to surrender the relevant chare-

certificates at the time and place so notified in order that they may be carriedled, 1.7.5 upon surrender of the share certificates for the preference shares concerned in terms. of sub-article 1.7.4 the company shall pay to the registered holders of such preference. shares or thou duly authorised agents, the amount payable in terms of sub-articles 1.7.2

notwithstanding anything to the contrary herein contained the preference dividends payable on the preference shares shall cease to accrue from the redemption date unless upon surrender of the certificates for the preference shares of the class of preference share to be tedeemed, payment of the redemption montes and preference dividend is not made by the company, in which event the preference dividend shall continue to be calculated and accrueonly on the amount of the redemption montes or preference dividend which remains unpaid,

1.9 the rights and conditions attaching to the preference shares of any particular class of preference shares may be varied or cancelled by means of a special resolution passed by the 1.9 I the consent in writing of the holders of three-fourths of the preference shares of the

class of preference shares concerned, or 192 the satistion of a resolution passed in the same manner, mutans mutandis, as a special resolution of the company, at a separate general meeting of the holders of the

preference shares of the class of preference shares concerned, l 10 the company shall not be hable to a holder of proference shares for interest on any unclaimed. preference dividend or redemption montes"

Ordinary resolution No 1

desolved that, subject to the passing and registration of special resolutions No 1 and No 2 in the notice of general meeting to which this resolution constitutes ordinary resolution No. 1, the proference ares in the authorised but unisqued share capital of the company be and are hereby placed unde the control of the directors who are hereby authorised to usue and allot such preference shares at such price or prices and on such terms and conditions as they may in their absolute discretion determine but subject always to the provisions of the company's articles of association, the Companies Act. 1973, as amended, and the Rules and Requirements of The Johannesburg Stock Exchange

Ordinary resolution No 2

Resolved that the property restructuring agreement, the gold restructuring agreement and the platnum testructuring agreement, salient details of which appear in paragraph 3 of the circular to which this resolution is attached as part of the notice of general meeting to shareholders of the company and copies of which are tabled at the meeting and initialled by the Chairman for purposes

Ordinary resolution No 3

of identification, be and are hereby approved. 1.5 the bolder of a preference share shall be entitled to receive notice of and to attend any. Resolved that subject to the passing and registration of special resolutions No 1 and No 2 in the notice. of general meeting to which this resolution constitutes ordinary resolution No 3, the directors of the company be and are authorised to distribute to its shareholders, requirered as such on a record date to be determined by the directors, shares or the right to receive shares totalling 9 393 492 shares in Rand Mines Properties Limited ("RMP") (Registration number 68/01239/06), 700 shares and letters of allotment in respect of 29 819 910 fully paid shares in Randgold & Exploration Company Limited ("Randgold") (Registration number 92/06642/06) april 1 490 930 shares and letters of allotment in

respect of 13 399 375 fully paid shares in P.G.M. Investments Limited ("PCM") (Registration number.

54/01416/06) in a rano which will result in each shareholder effectively receiving a) 63 shares in RMP; and

b) 200 shares in Randgold, and

Ordinary resolution No 4

c) 100 shares in PGM. for every 100 shares held up the company and, where that holding is not a multiple of 100 shares, the entitlement to receive RMP shares shall be determined in accordance with the table set out in Appendix 7 to the circular.

Resolved that, the agreement entered into between the company and Randcoal Limited ("Randcoal")

(Registration number 01/01358/06) on 26 November 1992, referred to as the coal restructuring

agreement, a copy of which is tabled at this meeting and initialled by the Chairman for purposes of identification, for the disposal by the company of its coal interests, as more fully described in the agreement, to Randcoal in exchange for the issue by Randcoal to the company of 26 500 000 new ordinary par value shares of 20 cents each in Randcoal, be and is hereby ratified and approved The purpose for proposing and the effect of the passing and registration of special resolution No.1 are

to increase the company's authorised share capital by the creation of 10 000 variable rate cumulative redocrnable preference ahares of one cant each, the teasons for which increase are stated in the circular to the company's shareholders The purpose for proposing and the effect of the passing and registration of special resolution No J are

to incorporate as a new article 20A, the rights and conditions attaching to the new 10 000 variable rate. cumulative redeemable preference shares of one cant each. For the purpose of determining those members entitled to attend and voto at the meeting, the register of members of the company will be closed from 4 to 12 January 1993, both days inclusive

A member entitled to attend and vote at the meeting may appoint one or more promes to attend, voto. speak and act in his stead. A proxy need not be a member of the company Attention is drawn to the fact that, if it is to be effective, a completed proxy form must reach the transfer secretaries in Johannesburg or the United Kingdom registrate at least 48 hours (Saturdays). Sundays and public holidays excluded) before the time appointed for the holding of the meeting.

being before 11h30 on Friday, 8 January 1993. The holder of a share warrant to bearer who desires to be represented at the meeting must produce his share warrant or a certificate of his holding from a banker or other approved person at the hearer reception office of the United Kingdom registrars and paying agents at least five days before the date appointed for the holding of the meeting and shall otherwise comply with the 'Conditions governing $\frac{\pi}{2}$

share warrants" currently in force. Thereupon, an attendance form or a proxy form under which such

United Eingdom Secretaries Viadud Corporate Services Limited 19 Charterhouse Street

By order of the board REND MINES (MINING & SERVICES) LIMITED per F D W Peachey

Registered office Randcoal House 21 Chaplin Road Illovo, 2193

London ECIN 6QP

Barclays Bank PLC Stock Exchange Services Dopartment

paid subject to and in terms of sub-article 1.7.5:

Barclays Bank SA Guichel Titres 21 rue Laffino 75315 Page Codex 09, France

168 Fencinarch Street London ECSP 3HP A further monce to holders of share warrants to beater activising them of the result of the general meeting and the procedures which they should follow to enable them to obtain their entitlements to share in RMP. Randooki and PGM, will be published by the company's United Kingdom Secretaries on or about 13 January 1993

This advertisement is issued by J S Gadd & Co. Limited, which is a member of The Securities and Futures Authority Limited, in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of freland Limited ("the London Stock Exchange"). It does not constitute an offer or an invitation to the public, for or to purchase any

Application has been made to the London Stock Exchange for the Ordinary Shares of 10p each of OIS International Inspection plc to be admitted to the Official List of the London Stock Exchange, it is expected that such admission will become effective and that dealings in the Ordinary Shares will commence on 30th December 1992.

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21st December 1992

Emranec, Barthoforney: Laste, London ECON 111P (for collection only).

And the second

ROYAL TRUST CORPORATION OF CANADA CAD 100,000,000 10 5/8 % DEPOSIT NOTES **DUE 1994** of the Notes, notice is hereby given to the

Pursuant to the Description Voteholders that CAD 4.466.000 have been purchased. Nominal outstanding CAD 95.534.000 THE PRINCIPAL PAYING

SOCIETE GENERALE GROUP 15. Avenue Emile Reuter LUXEMBOURG

AGENT SOGENAL

MACQUARIE BANK LIMITED LES125,000,000 MULTI-OPTION AGREEMENT DATED DECEMBER 11, 1992 in accordance with the provisions of the Transforable Loan Certificate issued on December 18, 1992, notice is burnby given that for the six mouth interest period from December 18, 1992 to June 18, 1993, the Certificate will carry an Interest Rate of 4.19375% per errenn.

Buckeys Bank PLC, Hong Keng

VITAMIN LTD. Series B US \$60,000,000 Secured Floating Rate Notes 1993 21st December, 1992 to 21st June, 1993 Interest Period 3.88188% per annum Interest Rete Interest Payment due 21st June, 1998 per US \$100,000 Note: US \$1,862.38

Allopon Credit International Limited

London Agent Bank 71st December, 1992

As Agent



UNION CARBIDE, the Connecticut-based chemicals group, said it had sold about \$150m of non-strategic assets this year as part of its goal of disposing of \$500m worth of

chemicals used in fibreglass. reinforced plastics, textiles, coatings, automotive adhesives and other specialty mar-

heavily oversubscribed issue. However, the government's held by the government.

Leumi being sold separately by the government.

MEMBERS of the Chicago

Exchange members have said the \$150m proposal was too costly, considering the declining profitability of small member firms. But exchange officials said the rapid growth of CBOT financial futures products would be stifled if the trading floor was not expan-

chairman said: "This vote means that our members want the leadership of this exchange to explore other means of developing a new trading facil-

ity, and that is what we will

UK GILTS

Hopes on inflation soften yields

Dec 11, 1992

Source: Werburg Securities

prices.

amine its system of gilt auc-

tions to enable this large

amount of stock to be sold as

efficiently as possible, without

leading to large drops in gilt

A reminder that demand for

gilts in recent months has

fallen among overseas inves-

tors - even while UK inves-

tors have remained reasonably

enthusiastic about the instru-

ments - came with news from

the Central Statistical Office

that investment in UK stocks

and securities by non-UK

organisations in the third quar-

This lowest quarterly figure

omist, points out that Austra-

lia needs 4 per cent growth in

GDP to cut unemployment,

ter came to just £1.3bn.

Dec 18, 1992

YIELDS moved slightly downwards as gilt practitioners weighed the contrasting signs about future inflation trends with the implications of the large volume of funding expected over the next 12 months.

The welter of economic statistics published last week gave few further clues about the degree to which Britain is emerging from recession. Though many believe that a recovery will become established in the next six months, there are few unambiguous signs about whether an upturn has started.

On balance, last week's data probably further encouraged the belief among some UK investors that the next few months will be a good time for bond purchases.

There were few indications that - once Christmas is over - people would return to the shops in droves to push up consumer spending significantly. Nor did the latest survey of manufacturing trends by the Confederation of British Industry do much to encourage any thoughts that UK factories were about to see a spurt in activity.

Lending by Britain's banks

and building societies to the private sector fell by £600m last month, reversing a strong £5.1bn increase in October and adding to the general uncertainty about an upturn. November also saw a bigger than expected increase of 41,000 in unemployment, bringing the total to 2.91m.

The run of figures encouraged the view that inflationary pressures are extremely fragile, and was probably behind the small drop in yields of about 10 basis points shown by most classes of gilts during the week in generally thin trading. Even though many believe

inflationary pressures will exert themselves once a recovery gets under way, on the basis of the recent evidence gilt yields will continue to fall gradually over the next few weeks, with a corresponding small increase in prices.

One factor expected to place a floor under yields is the £1bn or so of gilts that the Bank of England will probably issue every month in the 1993-94 financial year, due to the need to finance increasing state borrowing.

Mr John Shepperd, an economist at S.G. Warburgh Securities, wants the Bank to re-ex-

since late 1990 was due largely **UK gilts yield** to the big fall-off in overseas purchases of gilts. Restated at par (%)

Meanwhile the Organisation for Economic Co-operation and Development, in comments last week about the UK economy illustrated the uncertainties of predicting the inflation pattern over the next year.

The 24-nation group said that 'inflation is projected to rise in the near term" due to the effects of higher import prices arising from sterling's devaluation. However, it is "expected to recede again" given the large slack in the economy.

Accordingly, the organisation expects inflation, as measured by the deflator in growth of nominal gross domestic product, to climb from a low 3.9 per cent in the second half of this year to a somewhat high 5.7 per cent in the first half of next year.

On the OECD's projections. inflation would then fall by the end of 1994 to roughly the current figure, with the numbers for the six-month periods starting in the second half of 1993 being forecast at 4.6 per cent. 4 per cent and 3.8 per cent respectively.

Peter Marsh

AUSTRALIAN BONDS

Question mark hangs over the sector

THE Australian credit markets moved into the traditional Christmas slowdown last week with few economic indicators to chew on, but with a question mark hanging over them: has the long rally in bond yields ended, or is the market simply drawing breath?

Trading has been subdued since the last easing of monetary policy in June, when a 75 basis point cut in official interest rates to 5.75 per cent marked the 12th successive reduction since rates peaked at 18 per cent in January 1990.

The move triggered a rally which reduced the 10-year bond yield to 9.3 per cent, a cut of nearly five percentage points since the rally began in 1989. At the short end, the 90day bond dipped briefly below 5.5 per cent before slipping back in August to just below 6 per cent. Since then, rates have

hardly moved, and the only Ivana Bottini, a Citibank econexcitement has been the fortnightly instalment of the federal government's A\$18bn bond tender programme.

One reason for the apparent plateau is that the domestic economy continues to perform sluggishly, and most analysts say traders are increasingly worried that growth may fizzle out next year. There appeared to be few supporters for the upbeat view expressed on Friday by Mr Bernie Fraser, the Reserve Bank governor, that growth in gross domestic product was likely to reach 4 per cent by the end of 1993.

By contrast, Mr Ralph Willis, the finance minister, admitted on the same day that the government may have to reduce its own tentative forecast of 3 per cent growth for 1992-93 Some private forecasters are even more pessimistic. Ms

currently at a post-war record of 11.4 per cent. In the face of slow overseas growth and the depressing effect of high unemployment on domestic demand, Australia faces a danger of moving back

into recession in the middle of next year, says Ms Bottini. Even the good news does not look as good as it did. The long rally was underpinned by a steady fall in the rate of inflation from more than 8 per cent in 1989 to 0.8 per cent in June. However, the authorities have been unable to reduce interest rates further because of the weakness of the Australian dollar, which has depreci-

ated by more than 13 per cent

on a trade weighted basis over

the past 12 months.

That may change over the next three months if the Labor government decides to cut interest rates further in a last ditch attempt to stimulate economic growth before the next federal election, due by June. For that reason, the bond

curve may steepen in 1993 as

short yields fall in anticipation

of an easing of monetary policy. But uncertainty is likely to cause the yield curve to move up and flatten once the election campaign gets under way. In the longer term, investors will be watching for signs of sustained economic recovery, continued low inflation and political stability. Traders say a resumption of the rally is possible if all those factors emerge, especially if the currency stabilises and foreign

investors return to the market.

Kevin Brown

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Thailand. opens door to offshore banking

By Victor Mallet in Bangkok

FIFTY-TWO banks have applied to set up offshore banking units in Thailand, the central bank said. The applicants include 37 foreign institutions and all 15 Thai commercial banks.

Thai officials are establishing the so-called Bangkok International Banking Facility in an attempt to make Thailand a financial centre for Indochina and Burma, However, some commercial bankers believe confusion over tax benefits for the OBUs is to blame for a lukewarm international response.

All foreign banks which have applied for OBU licences hope to take advantage of tax concessions, while those banks without branches in Thailand see the move as a way of entering a restricted banking mar-

"I look on this as a stepping stone for full branch status in two to three years' time," said Mr Anders Lundquist, chief of Skandinaviska-Enskilda Banken's representative office in Bangkok.

Other commercial bankers believe the central bank is disappointed by the number of applications and point to doubts about tax concessions.

US MONEY AND CREDIT

Spotlight on Little Rock

Christmas and all through the Treasury bond market trading was light and lacklustre, with prices fluctuating in a narrow band and much investor attention focused on Little Rock. site of an extraordinary

two-day economic talkathon. President-elect Bill Clinton spent the first two days of last week as the master of ceremonies in a televised confab that was originally billed as an economic summit, then restyled for the American media as a retreat and which ended up being a quintessentially CNN sort of media event.

Mr Clinton proved himself. once again, an able communicator, and even more importantly he displayed a grasp of detail on economic and social policy issues that dazzled much of the American media. The Little Rock conference broke little new ground, but it was probably a politically astute move for the coalitionbuilding populist from Arkan-

Mr Robert Brusca, the acerbic chief economist at Nikko Securities, called it the 1990s economic counternart to Wood-

The most important message to emerge from Little Rock. consistent with the previous week's appointments of the Clinton economic team, was that the US deficit matters. And while that may seem

money market, getting the deficit issue on to CNN during 19 hours of live television is a useful educational exercise for the American public.

The real issue now to be pondered is to what extent signs of a strengthening recovery will allow the Clinton Administration to reduce the size of any planned fiscal stimulus package. Or, in other words, will the Keynesians win out in the short-term or not?

The bond market, while less than enthusiastic about Little Rock, is taking a rather relaxed view on this matter. not least of all because interest rates are low and the past week saw improving figures for housing starts and industrial production in November.

On Friday there was little price movement in the benchmark 30-vear Treasury bond which was down by a mere 1 of a point, with a yield of 7.42 per cent, compared to 7.43 per cent a week before.

Analysts at Donaldson Lufkin & Jenrette seemed unusually impressed that Mr Clinton's cabinet appointments and the Little Rock summit showed the incoming Clinton administration to be "deeply committed to budget deficit reduc-

As a result DLJ predicted that bond yields would remain in a narrow range of variation over the next few weeks, but could drop significantly in the

This week sees two big Treasury auctions coming up. On Tuesday, the Treasury is expected to auction \$15.5bn of two-year notes and a day later it will offer \$11.25bn of five-

year paper. Also on the pre-Christmas agenda is a meeting of the Fed's Open Markets Committee, which is likely to leave monetary policy on hold for

the time being. Tomorrow's final third-quarter gross domestic product number is expected to remain at the previously revised level

of 3.9 per cent. On Wednesday, comes the durable orders data for November, a volatile measure in recent months that was up by 4.1% in October and which is likely to be down by 1 to 2 per

cent for November. On the same day the leading economic indicators are expected to show a rise of 0.3 per cent for November, against a 0.4 per cent increase in the pre-

vious month. So the debate on deficit reduction, fiscal stimuli and the path of the US recovery is now shifting to a post-Christmas view of whether Mr Bill Clinton will prove himself to be more of a Santa or a Scrooge on the macro-economic front.

For the next instalment we will have to wait until after the holidays.

Alan Friedman

self-evident to denizens of the next three to six months. FT/ISMA INTERNATIONAL BOND SERVICE U.S. DOLLAR STRAIGHT 0/5 FIN 0 98 REBUCK EURO 9 3/4 95..... BP AMERICA 9 3/4 99
BP CAPITAL 9 1/8 94
BPCA FINANCE 8 3/8 98
BRITISH GAS 8 3/8 99
BRITISH TELECOM FIN 9 3/8 98
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CARADAN PACIFIC 7 1/2 96
CATERPILIAR FIN SERV 0 94 ONTARIO 6 1/4 96. OSTER KONTROLLBANK 7 94. SNCF 6 3/4 00 SWEDEN 5 5/8 95. WORLD BANK 6 3/4 00. WORLD BANK 7 1/4 95. ARBED 7 1/2 95. ECSC 7 3/4 94 SKANDHAVISKA EKSK 9 3/8 97 WORLD BANK 8 96.

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UK BONDS

Complaints about poor liquidity

A PRIVATE investor who inherited his mother's investment portfolio, decided to sell some of the assets. He was unable to find a buyer for his mother's triple-A rated yankee bonds. The lead manager for the

issue refused to quote him a price. Eventually, he rang up the treasurer at the company which had issued the bond and complained the issuer contacted the lead manager and told him to do his job.

There are plenty of institutional investors who complain - usually off-the-record - about the poor liquidity in the secondary market for Eurobonds.

Mr Roger Gray, head of fixed income and currency, at Rothschild Asset Management, says: "In general with Eurobonds the bigger issues are preferred to the smaller ones because of their greater aftermarket liquidity."

A fund manager at one of the leading UK asset management groups, says: "There are so many problems with liquidity. We usually set a minimum size of issue which we are prepared to own.

"Often the problem is that when you want to buy a new issue, there are 20 market makers, but after six months the number of market-makers drops and it's difficult to find anyone willing to quote a price for

the issue." According to one fund manager's analysis, if you break down the fixed coupon dollar Eurobond market into the number of market makers per issue, you find that only 7 per cent of issues have 21 or more dealers, while 8 per cent have between 11 and 20 dealers, and 59

per cent of the issues have

fewer than three dealers. In addition, bid-offer spreads may widen considerably with time. For example, Isveimer, the Italian state borrower, launched a US\$125m floating-rate note in July which was recently quoted at a spread of 97.80-98.85 with one market maker. The

little trading in the bond.

Market makers tend to play down investors' complaints. Mr Jerry Goldstein, chairman of the ISMA Council of Reporting Dealers and a director of Sanwa International, claims "institutional investors will always be able to get immediate bids and offers in any trade from major market makers except maybe in cases where you have very old bonds or bonds which don't trade very often - or when bond markets are very volatile". Investors eager to dump Ecu

wide spread indicates there is very

bonds this summer experienced such a problem. When the Danes rejected the Maastricht Treaty on June 2, they sowed confusion over European economic and monetary union. Investors were desperate to sell their Ecu bonds, but at one stage found the market makers were not prepared to quote prices. Mr Goldstein points out anyone who is a lead manager or co-lead should be prepared to make markets in an issue for at least a year. "If they don't, it is regrettable but I can't see any way of improving this situation." he says, although he is in favour of continued discussions with the International Primary Market Association (Ipma) to try to

Mr Peter Luthy of Luthy Baillie

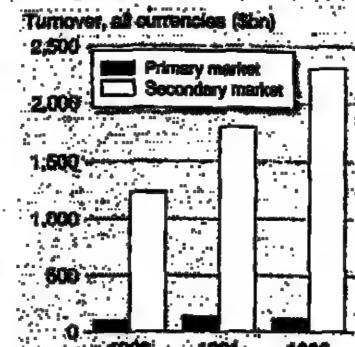
Dowsett Pethick, which advises on

improve these guidelines.

improving liquidity by encouraging borrowers to make a regular appearance in the Eurobond market, going for large issues and, if practical, fungible bonds (in other

NEW INTERNATIONAL BOND ISSUES

Eurobonds



bond investments but is not a market maker, points out it does not make sense - economically - for market makers to continue making markets in each of the stocks in which they were involved.

"There is no point (for the market maker) wasting time on issues be very costly for the trader to stay aware of the prices, to do all the research on the issue and constantly assess it."

often make the mistake of buying paper without considering its future liquidity. "Investors should only buy something illiquid if the yield is sufficient to justify the risk that they might have to sell it later." Mr Goldstein recommends

He maintains fund managers

government bond markets instead. words, bonds with the exactly same

terms which count as one issue). In practice, borrowers may be unwilling to use fungible issues, particularly if bond yields are falling and they want to save costs by offering a smaller coupon. And they are certainly unlikely to want to borrow more than they actually need. However, investors acknowledge that issuers are making an effort to launch bigger issues in

secondary market. One fund manager at a UK insurance group says: "Over the past few years, average issue size has increased. Eurosterling bonds are normally about 2100m and that is considered a fairly good size. However, there are very few Eurosterling issues of around £500m. The point is that in the gift market, a £500m issue would be considered an illiquid bond."

order to improve liquidity in the

Figures provided by Euroclear show that new issues - rather than existing bonds - tend to be the most actively traded Eurobonds.

There's no doubt that investors generally find it easier to buy large amounts of stock in the new issue market. But one fund manager says his strategy is to ignore the new issue market and concentrate on the much older issues which have been sold off cheaply.

"We feel that people are paying too high a price for liquidity," he says. Other investors who need to be able to sell their holdings at short notice and at as high a price as possible, admit that they prefer to concentrate on the more liquid

RISK AND REWARD

UK insurance groups see a brighter future in derivatives



companies becoming big users of equity futures and options. Protecting their solvency margins and making their investment operations more efficient are things which derivatives should

Also, some of their latest investment products are derivativesbased. Expected changes in regulations and a changing attitude on the part of the insurers themselves. are likely to speed the process.

The insurers have a high proportion of their shareholders funds invested in equities. This reflects the long-run out-performance of equities, and a desire by insurers to protect their capital bases during periods of high inflation.

Many use equity options to protect themselves against the devastation to their solvency margin that a market collapse would cause.

"We do it from time to time to lock in a healthy level in the UK equity market," said Mr Mike Payne, investment director at Legal & General. Royal Insurance whose solvency margin is under greater pressure than many other insurers - and Commercial Union are others which follow this policy. As the general level of share prices moves up, L&G buys options

to keep raising the floor under its Sara Webb shareholders funds.

"There is a ratchet effect here." says Mr Payne. Buying out-of-themoney options (where the exercise price is well below market levels when the option is bought) helps to keep down the cost of hedging, "It's when you protect at the money that you really have to pay. You have to self-insure the first 100-point drop."

Such prudence is not now rewarded under solvency regulations issued by the Department of Trade and Industry, the insurers' regulator. The DTI specifies which assets insurance companies can count towards their solvency mar-

The Prudential is widely recognised in the industry as the company to have used derivatives most extensively and for longest

highly conservative gins, and in what proportion. Last produced in 1981, these regulations have not kept pace with the sort of

though its approach is

financial instruments insurance companies now use, and futures and options are not included in the list of recognised assets. So long as the stock market goes up, this does not present a significant problem. If an insurer holds

options that are considerably out of the money, the market value of these assets is likely to be small in relation to the equity holdings they are designed to protect. Perhaps for that reason, insurers appear relatively unconcerned by the outmoded regulations. However, if share prices fall, the value of the

options would quickly rise, making

them a more significant part of the insurers' capital base (this is why they are bought in the first place). This anomaly is now the subject of discussion between the DTI and the Association of British Insurers, the industry's trade association. Amended regulations are expected to recognise the use of derivatives to protect solvency margins, so encouraging insurance companies

Insurers have become big users of equity derivatives to help them manage their portfolios more effec-

ments.

to make greater use of such instru-

tively. The Prudential is widely recognised as the company to have used derivatives most extensively and for

longest, though its approach is highly conservative.

It uses stock index futures for two purposes, says Mr Rodney Dennis, of Prudential Portfolio Managers: to make a change in asset allocation, and to take a position in the equity market in advance of expected cash

The costs of shifting an exposure through futures is far smaller than through an investment in the underlying stocks.

Taking into account commissions stamp duty and the spread paid to market makers, the Prudential reckons the cost of moving into and out of stocks at 1.9 per cent. A similar round trip in futures, it says, costs 0.054 per cent (though futures contracts need to be rolled over every three months).

Futures are only used to make snort-term sniits in asset allocation,

Nor does the Pru - or any other insurer - use futures or options to generate better investment returns. It invests on fundamental views about particular stocks or asset classes, looking to derivatives only as tools to help make those selec-

Trying to enhance returns through derivative-based trading strategies "is an activity which doesn't appear to be a natural part of our business", Mr Dennis says. In spite of this, the investment products offered by insurers are likely to become increasingly depen-

dent on futures and options. Retail futures funds may not have taken off, in spite of new regulations a year ago; but many insurers have launched guaranteed equity products this year, which give investors a proportion of any gains in the equity market, plus their money back.

This is tantamount to selling investors an equity call option, with the rest of their money placed on deposit.

Some insurers, such as Legal & General, hedge their exposure under such products internally through their investment funds. Others, if market talk is to be believed, don't hedge at all. As such products become more common. insurance companies' ability to price options, and to use the markets to hedge, will become an important part of their investment

Richard Waters

Offer yield Borrowers US DOLLARS 400 200 100 50 Sumitomo Metal Mining(a)+ Dalwa Europe Inter-American Dev.Bank(b) Salomon Brothers Int. Nord LB, London(d)# Lehman Brothers Int. Eurofima(f)‡ Goldman Sachs Int. 5,000 5,290 4,697 Republic of Austria Daicel Chemical Industries Nomura Int. **Dates! Chemical Industries** 101.5 Nomura Int. EEC(e) 8,767 8.625 99,425 BZW D-MARKS Dragger Finance(c)# 100 Dreedner Bank CANADIAN DOLLARS 100,375 Lahman Brothers Int. Crédit Local de France(g)

Borrowers	Amount m.	Maturity	Av. life years	Coupon	Price	Book runner	Offer yield
GUILDERS							
Koninklijke Ahold SWISS FRANCS	200	2000	7	7.625	100.2	ABN Amro Bank	7.587
OKB	300	2003	10	5.5	100.25	Swiss Bank Corp.	5.467
Crédit Local de France**	125	2000	7	5.75	102	Swiss Bank Corp.	5,399
Republic of Finland	500	2001	8	6	102	Credit Suisse	5.662
Total **	150	2000	7	6	102	Crédit Suissa	5,640
Rabobank Nederland**	100	2001	8	5.75	102.75	UBS	5.919
Shell Australia *	100	2000	7	6	102.375	UBS	5.58
Republic of Ireland**	100	2003	10	5.75	100.375	UBS	5.700
LUXEMBOURG FRANCS							
Locabel Int.	1bn	1998	5	8.2	101.75	Crédit Européen	7.784
Tractebel Invest Int.	750	2008	10	8	102.06	Paribas Luxembourg	7.696
Thompson Brandt Int.	600	2000	7	8.125	102.25	Kredlethank Lux.	7.697
Finnish Export Credit	1bn	1996	5.16	8	101.9	Banque Int. à Lux.	7.533
Final terms and non-callable units 2.64%. b) Fungible with outstand d) Coupon pays 37 ½ bp below 3-d interest. f) Issue launched on 1/ maximum 8 ½ %. g) Fungible with	es wiated. 9: ing \$500m is ngrith Liber, 12/92 has be	eued in Aug Putable even Jen Increase	cement #Wi ust. Plus 131 y 3 months d to \$200m.	deye secru et per, d) Fut Coupan per	rrants. #Flored interest. Igible with a 25bp bei	taing rate note. a) Exercise pr c) Coupon pays 50bp above outstanding ECU740m. Plus 3 low 6-month Libor. Minipays	remium fixed (6-month Libo 10 daya eccrus 1 coupen 5 ¹ e?

MONEY MANAGEMENT A FINANCIAL TIMES MAGAZINE

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NOTICE TO THE HOLDERS OF

MATSUSHITA ELECTRIC WORKS, LTD.

(the "Company")

U.S.\$100,000,000 7 ½ per cent. Convertible Bonds Due 1995 (the "Bonds")

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(C) (iv) of the Bonds, the Conversion Price has been adjusted with effect as of December 11, 1992 in Japan due to the issuances by the Company on such date of securities convertible into shares and warrants to subscribe for Shares. The consideration per Share receivable by the Company upon conversion and subscription, respectively, of such securities and warrants shall be less than the current market price per Share (as defined in the Conditions) on December 11, 1992.

- As a result, the following adjustment to the Conversion Price of the Bonds has been made:
- (1) Conversion Price prior to such adjustment:
- (2) Conversion Price after such adjustment:
- Yen 480.7 (3) Effective date of the adjustment: December 11, 1992 (Japan time)

MATSUSHITA ELECTRIC WORKS, LTD.

Dated: December 21, 1992

Sparbankernas Bank (Swedbank) Japanese Yen 10,000,000,000

Floating Rate Notes due 1993 For the period 21st December

1992 to 21st June 1993 the rate has been fixed at 5.52 per cent, per annum and interest payable 21st June 1993 for Coupon No. 10 will be per Yen 100,000,000.

Bank of Singapore (Australia) A \$20,000,000 Term Subordinated Floating Rate Notes Due 2000

in accordance with the provisions of the Note, notice is heatly given that for the six mouth interest period from 21 December 1992 to 21 June 1995, the None will early an become Rate of 6.1275 % per manual. The interest payable on the relevent interest payment day 21 Jane 1993 will be A \$ \$,126.13 per A \$ 100,000 Non.

OCBC BANK Simperpore

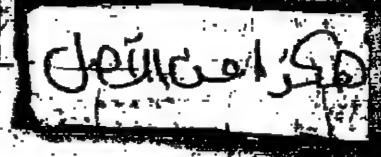
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1,540 1,020 Ajinomoto 1,290 650 295 Abeleno Brate lei . 510 1,400 855 All Micron Arresys . 1,020 1,300 740 Aips Electric 844 1,210 806 Amada Co 1,000 2,190 1,040 Amano Corp 1,270	851 342 Japatlesh & Cen	910 461 Nikko Sec. 664 909 510 Nikon Corp. 715 12300 8 600 Nintendo . 11,000 9 800 3 250 Nippo Denka 4,580 626 319 Nippon Denka , 409 1,530 1,210 Nippon Denso 1,480	1,350 960 Takeda Chem 1,300 1,180 665 Takabe Seiyaku 870 535 352 Teifin	8.23 6.72 Nat Aust Bank 7.35ml 4.75 1.90 Newcrest Mining 2.08 30.70 14.10 News Corp 29.66 1.30 0.97 North BH Peto 2.25 5.82 4.24 Pacific Dunlop . 4.98	App T & Merck Pality M Gen Mot Exten
1,030 480 Ando Construction 650 1,260 650 Antritsu 775 767 281 Andri Corp 495 9,110 7,100 Angama Trading 8,080 5,890 3,090 Antim Oli Crist 3,980	648 356 Jujo Paper 497 1,760 1,200 Jusco 1,390 1,120 775 Kagome 1,080 1,480 739 Kajima 840 1,580 787 Kaken Pharm 1,410	1,950-939 Nippon El Glass 1,090 853-530 Nippon Express 762 829-500 Nippon Fire 668	1,240 490 Tekken Corp 690 992 520 Tu Gen Gen Int 631 940 215 Tobishima Corp 476 880 499 Tobu Railway 605	1 0.77 Pancontinental 0.83 1.60 0.96 Pasminco 1.12 3.36 2.04 Pigneer intl 2.44 3.10 1.10 Placer Pacific 1.19	Havistar Sen Elec
1.160 570 Asahi Bank 829 1.330 850 Asahi Breweries 1,140 730 510 Asahi Chemical 600 1.210 871 Asahi Glass 1,010 543 295 Asahi Optical 345	2,607 1,630 Kandenko 2,100 567 345 Kanebo 445 680 450 Kaneka 588 725 330 Kanematsu Corp 427 3,050 2,020 Karsal El Power 2,310	909 459 Nippon Kayahu . 700 820 495 Nippon Meat Pack 1.650 959 521 Nippon Oil 611 803 425 Nippon Paint 520	3,400 2,180 felbir Elet Perer 2,410 1,630 740 Tokai Bank 1,080 666 330 Tokai Carbon 391	5.50 2.48 Renison Gold 2.68 14 4.60 Ruthmans Aust . 4.75 3.32 2.72 SA Brewing 3.07	TORC
535 316 Asics Corp 490 821 461 Assugl Nylon 565 1,370 713 Barryu Pharm 820 1,220 1,040 Bridgestone 1,150 545 325 Brother Ind 436	609 320 Karsai Paint 413 1,160 942 Kao Corp 1,150 580 331 Karasahi Huny lut 378 571 291 Kawasahi Kisen 368 375 226 Kawasahi Scel 297	1,670 960 Nippon Road 1 310 599 350 Nippon Sanso 416 1 450 780 Nippon Sharyo 1,080 609 364 Nippon Shet Giza 459 1 150 485 Nippon Shinpan 648 1 580 906 Nippon Shinpah 1,360	1.360 840 Tokio Marine 1,200 525 345 Tokyo Marine 430 1,560 905 Tokyo (Bank) 1,390 1,640 868 Tokyo B'casting 950 2,850 1,230 Tokyo Dome 1,870 3,700 2,200 Tokyo Ei Pur 2,630 2,720 1,300 Tokyo Electron . 1,860	6.44 4.35 Smith (Hwrt) 5 5 3.34 Sons of Gwalia 4.33 3 2.36 Stockiami Tst 2.94 2.10 0.50 TNT 0.77 1.86 1.42 Telecom Corp NZ 1.65 0.84 0.62 Tyco invs 0.71	Composit MONTRE Base va
4,320 1,450 CSK	890 514 Kebis Elec Express 655 846 500 Keis Tetto El Rec 603 1,200 723 Klickoman 1 030 2,363 1,720 Klinden 1,900 860 649 Kind bigo Ralinay 694 1,390 991 Kirlin Brewer 1,150	870 400 Nippon Soda 513 385 229 Nippon Steel 299 718 380 Nippon Suisan 467 21 300 12 300 Nippon Suisan 467 20 000 453 000 NTT 563,000	1.040 490 Tokyo Gas 416	5.40 3.63 Western Mining 4.33 4.90 4 Westfield Hdg 4.57 2.46 2.12 Westfield Trust 2.32 4.50 2.39 Westpac	Torosto 83, † Ex Unavali and low (supplied
525 170 Central Fisance . 309 570 274 Central Glass 370 1,140 625 Chiba Bank 940	425 250 Kobe Steel . 302 2.500 535 Kolto Manf 775 3,100 1,230 Kokusai Electric 1 690 2,930 1.800 Kokusa 2,250 790 532 Komatsu . 697	726 355 Niepon Yakin . 424 607 400 Nippon Yusen 507 802 430 Nippon Zeon 626 1 310 755 Mistimutsi Contr 1 090 602 295 Nissan Diesel 365	839 310 Tokyu Car 455 915 451 Tokyu Corp 605 679 300 Yokyu Land 424 1.740 1.010 Tonen Corp 1,330 1.352 957 Toppan Printing . 1,060	HONG KONG 1992 Price High Low Depember 18 H.K.S	day, (Th
3,420 2,200 Chubu El Pwr 2,400 1,450 980 Chugal Pharm 1,240 2,770 1,920 Chugolu El Pouer . 2,220 964 720 Civizen Watch 923 665 431 Dalcel Chemical 480	805 490 Konica 666 828 500 Koro Selko Co 641 681 401 Kubota Corp 564 788 376 Kumagal-Gumi 484 729 352 Kumiai Chenical 455	694 529 Nissan Motor 595 1,500 921 Nisset Sangyo 1,200 1,561 846 Nisshin Flour 1,150 1,090 830 Nisshin 011 1,020 1,320 801 Nisshinbo ind 930 630 328 Nissho Iwai 404	698 530 Toray ind 660 675 530 Toshiba Elect 645 1 590 706 Toshiba Elect 908 872 405 Toshiba Machinery 537 1 210 598 Toshoku 808 535 290 Tosoh Corp 360	7.60 4.58 Amoy Props 5.85 40 25 19.50 Bank East Asia 32.25 14 8 Cathay Pacific 9.10 27.60 17.60 Chrung Kopp 17.70	
543 340 Daido Steel 379 1,140 670 Daiel inc 860 2,160 1,160 Daifuku 1,400 2,490 1,050 Daikhi Kaspo St 1,780 1,850 1,280 Daikhi Pharm 1,620 1,410 582 Daikin Inds 700	836 275 Kurabo Ind 403 1,270 876 Kurazay 1 040 615 330 Kureta Chemical 429 2,445 1,150 Kurita Water 1 690 4,780 3,110 Kyocera 4 420 584 300 Kyodo Shiryo 393	1 520 655 Nissin Electric 813 2 990 1 760 Nissin Food . 2 290 301 400 Nilsuko 526 554 291 Nitto Boseki 396 1 520 984 Nilto Denko . 1 140	925 340 Toyo ink	14.40 8.50 Citic Pacific 12.40 18.30 14.60 Cross Harbour 17.20 13.90 9 65 Daky Farm Intl 11.60 4 2.75 Evergo	
1,450 494 Dalkyo inc 790 765 380 Dalmaru Inc 530 564 310 Oal Nippon Ink 413 2,066 779 Dal Nippon Print 1,310	1,600 890 Kyotaru . 1,070 1,320 741 Kyowa Hakko 1,020 3,150 1,960 Kyushu El Power 2 410 703 405 Lion Corp 619 1,400 715 Long Term Credit 897	1 800 1 100 Nomura Sec 1,560 1 350 705 Nortlake 911 971 600 Maha Encur Pay 720 873 428 Ohbayashi-Gumi 550 900 685 Off Paper 888	1.690 760 Toyo Tsi & Blog . 920 829 405 Testatin Chair Man. 469	4.08 2.37 Great Eagle 3.05 15.90 14.30 Guoco 14.60 68 34 HSBC 52.50 13 8 Hang Lung Dev 8.70 59 28.50 Hang Sens Bank 50	
541 260 9al Nippon Torye 418 3,100 1,430 Dalshowa Paper 1,620 920 600 9al Tokye F&M 748 1,300 700 Dalwa Bank 930 2,080 1,300 Dalwa House 1,440 1,220 660 Dalwa Sec 898	1,610 685 Maeda Corp 945 870 440 Makino Milling 555 2,130 1,460 Makita Corp 1,800 568 309 Marubeni 341 1,110 740 Marudal Food 799	506 290 Okt Electric 346 1 170 531 Okuma Corp 920 1 420 550 Okumura Gumi 810 1 450 748 Olympus 1 050 1 700 949 Omron Corp 1 100 685 360 Onoda Cement 585	509 296 UBE Inds 348 509 281 Unitika 355 1 350 637 Victor (JVC) 815 960 720 Wacoal 873	4.30 2.42 Henderson Inv 3.33 20.10 13 Henderson Land 13.30 17.10 11.20 HK & China Siz 14.90 7.20 4.70 HK & China Siz 5 10 24.90 16.90 HK Aircraft 18.80	
3,770 1,960 Denny's Japan , 2,270 799 435 Doma Fire & Mar , 586 638 485 Doma Mising Co , 533 1,660 870 Ebara Corp , 1,280	1,890 926 Maru) 1 040 1,770 1,000 Maruichi Steet 1 720 1,500 1,040 Mishita Ellind . 1 190 1,330 826 Mishita El Wk 927 2,030 1 200 Mishita Poto 1 880 920 493 Mishita Refrig 545	6 710 4,220 Ono Pharm 5 450 1 720 965 Omard Labrama 1 060 990 505 Orient Corp 700 1 030 1 710 Orix Corp 2 270 634 381 Osaka Gas 454	992 508 Yamaha Motor 789 770 420 Yamahi Secreties . 580 2 970 2 220 Yamanouchi 2,590 1,570 780 Yamanouchi 2,590	19.90 13.70 HK Electric 15.20 15.40 9.15 HK Land 11.30 13.20 6.65 HK Ruby & Tr A 10.20 10.60 7.75 HK Telecom 9 5.90 3.15 Hanswell Hides 4.12	
760 420 Fuji Electric 469	540 385 Marda Notor Corp. 432 1,210 665 Meiji Milk. 925 919 485 Meiji Seha. 675	728 402 Ricoh 615	2 110 1,530 Yamazari Baldoy 1,710 917 501 Yasuda Fire 819 1,670 720 Yasuda Fit& Big 764 681 310 Yasukawa Elec . 410	20 60 13.30 Historison Wpa 14 15.70 8 05 Hysan Dev 12.10 8 90 4 90 Jardine inti Mtr 6.25 66 38.50 Jardine Math 42.25 28 20 18.40 Jardine Strategic 19.50 10 60 7.65 Kowloon Motor . 8.25	
3,020 2,360 Fuji Film 2,670 935 500 Fuji Fire & Marke 724 448 264 Fuji Heavy Ind 357 779 385 Fuji Spinning 565 804 465 Fuji kura 521 1,540 705 Fuji kawa Pharm . 831	714 335 Minebea 440 565 289 Minolta Camera 327 1,650 584 Misawa Homes 060 2,690 1 280 M bishi Bk 2 410 1,330 827 M bishi Corp 858	1 440 989 Royal 1,100 610 309 Ryobi 455 1 830 809 Sakura Bank 1 260 674 400 Sanden 581 2 680 2 000 Santyo 2 500	1 100 600 Yokogawa Efec. 736 1 270 666 Yokotama (Bank) 1,020 750 441 Yokotama Rubber 570 1 490 750 Yomluri Land 915 1,320 600 Yoshibani Phams 792	8.35 5.45 Mandarin Grient 6.85 19.70 10.90 New World Dev 15.20 12.40 12.30 Realty Dev A 17.20 36.75 22.80 SHK Props 26.60 7 20 3.75 Shaw Bros 5.35	
2.200 1.150 Fullta Kanko . 2,030 850 500 Fulltsu	1,440 716 Millishi Estate 946 555 340 Millishi Gas Chem 4(0) 730 481 Millishi Heavy Ind 551 528 348 Millishi kaser 411	2 000 600 Sanrio . 1,100 2 300 1 040 Sanwa Bank 1 630 1 1 250 739 Sanwa Shutter 913 538 330 Sanyo Electric 379 606 345 Sanyo Kokusaku 485 1 250 771 Sapporo Brews 968	AUSTRALIA	2.77 1.62 Shell Elec Mig 1.75 10.40 7.20 Sime Darby 8.05 4 40 3 10 Shibing Marks 3.80 4 35 1.99 Sun Rong Kal Co 2.95 39 23 Swire Pacific A 27.50 6 25 3 85 Swire Pacific B 4.47	
2,810 497 Godo Shirsel 544 1,930 657 Green Cross 1.380 719 310 Gun-Ei Chemical 423 763 515 Gunze 630 719 513 Hankyu Coro 535	1.140 680 Mi bishi Oli 983 683 413 Mi bishi Paper 559 858 570 Milishi Perchem 674 569 320 Mibishi Plastics 495 444 300 Mibishi Rayon 342	6 390 4 950 Secont 5,600 11 148 7 440 Sega Ent 10 200 3 300 1 560 Seibu Ratiway 2,230 1 990 1 200 Seino Transport 1,380 1 340 860 Seiyo Food Sys 843	High Low December 18 Aurts 1 30 0 77 AWA	12 20 6.20 Tele Broadcast . 11 18.60 11.10 Wharf Holdings 14.80 11 90 6.65 Wing On Co 7.50 14 9.45 Winsortad 11.50 8 95 5.35 World Intl 6.50	
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3,950 2,810 Hirose Electric 3 750 935 549 Hiroshima (Bank) 656 946 692 Hitachi	1,540-720 Mitsul Fudosan 1 030 1,060-560 Mitsul Marine 903 536-315 Mitsul Mag & Sm 486 550-329 Mitsul Ost Line 368 743-430 Mitsul Petchem 584	3 150 2 000 Shishin Elect Per 2 270 1 320 779 Shimizu Corp 908 1 680 1 230 Shin-Erial Chem 1 570 1 0(0) 531 Shi-inagi 783 1 601 1 290 Shiseido 1 410	3 60 2.40 Boral	3.14 2.33 Soustead	Br
1,740 1,020 Hitachi Maxell 1.630 1,000 671 Hitachi Metals . 811 745 350 Hitachi Sales . 425 702 395 Hitachi Zosen . 504 2,720 1,800 Hoklade Elet Par 2,210	446 290 Mitsel Toatsu 362 1 590 579 Mitsel Tr&8k 818 1,240 650 Mitselioshi , 771 1,260 668 Mitsemi Elec 1 130 750 290 Minerica Warts 500	1 390 861 Shormay 1 130 800 295 Shorman Jurahy 515 720 330 Shorma Jurintum 452 421 202 Shorma Centro 285 689 407 Shorma Sangyo 538	0 80 0 61 Brierley lines 0.74 3 86 3.08 Burns Philip 3 82 5 11 3.30 CSR 4 12st 14 94 11.20 CRA 12.84 3 1.90 Calter Aust 2 6 40 0 60 Chiltern Cap 0.98	5.35 3.48 Sime Darby 4.84 SINGAPORE 1992 Price	Fr
839 443 Hoktaido Takisk 482 2,990 1,980 Hokuriki El Pirr 2,350 1,680 1,100 Honda Motor 1,380 760 325 Honsku Paper 458	1,340 750 Mizino Sporting 910 4,560 1,990 Mochida Pharm , 3,040 915 538 Morinaga Milir 658 2,700 1,270 Mori Selvi 1,860 2,400 1,830 Mivita Manufact 2,230	1830 921 Show (See) See 1,480 2110 1,150 Smylark 1,320 890 655 Show Brang Mill 777 4 530 3,350 Suny 4,200 724 448 Stanling Electric 580	10.50 7.72 Coal Allied led 8.50 8.90 6.50 Cota Cata Amatil 7 55 5 45 4.10 Coles Myer 4.66 4 20 2.47 Comaico 3 05 8.08 5 82 Comm Bit Aust 6.10	High Law December 18 \$3 3	Ge
599 373 1Hl	1.170 BOO NGK Insulators 949 900 532 NGE Spark Plug 900 586 310 NHK Spring 511 349 202 NKK Corp 266 685 420 NOK Corp 551	2.300 I 110 Summama Bank 1,910 6-10 360 Summama General 557 500 360 Summama Corp. 814 1,050 793 Summama Elect. 845	0.65 0.29 Dominion Mng . 0.37 4.19 2.77 Email	2.85 1.96 Naw Par 2.25 6,90 4.42 Incheape 5.904 8.95 5.20 Keppel Corp 6.30 12.75 9.30 OCBC 12.30 5.15 4.05 OUB 4.72 21 30 13.80 Stoop At From 1.7	Lig
458 250 lacki & Co 290 3,160 1,030 lackan 2,620 562 253 lackan Sengro . 361 448 226 lacka Motors 290 660 341 (tocks	625 460 MSK 515 630 400 MSK 515 660 340 Nachi Fujikoshi 408 1,800 500 Nagasakiya 970 978 444 Nagase 745	703 321 Sumitoria Heavy 405 530 281 Samitoria Light M 335 1 030 590 Sumitoria Marine 905 370 200 Suminoria Healtha 277 1 090 580 Suminoria Marine 643	2 49 2.02 Gen Prop Tst 2.17 2 78 1.85 GIO Australia 2.08 1 70 1 36 Goodman Fielder . 1.65 2 98 2.25 Hardie (J) 2.33	21.30 13.80 S pore Air Free 17 9.20 B Singapore Priss 9.10st 3.36 2.56 Straits Trading 2.92 3.25 2.24 Tat Lee Bank 3.12 6.90 6.15 UOB	
404 80 Itoman & Co 89 4,600 3,450 Ito Yokado 3,830 630 249 Iwatsu Elec 320 2,150 1,150 Zumbya 1,370	750 465 Nagoya Raulroad 533 1,900 1,410 National House 1 770 1,600 1 000 Nichil 1 190 785 540 Nichirel 696 950 555 Nihon Cement 835	1 050 500 Sumitorio Realty 595 1 530 700 Sumitorio Fr&Sh 995 755 420 Sumitorio Wardinge 655 882 580 Suzuki Mocor 837 4 750 2,950 TDK Corp 3 520	6.12 4.46 ICI Aust	Price dels supplied by Telekturs. NOTES — Prices on this page are as quoted on the Individual exchanges	
921 400 JEQL 560 2,250 1,630 JGC Corp 2,050 543 180 Jacob Styles Math. 292	570 290 Nihon Nosan 391 950 545 Nihon Parkenang 752 746 380 Nagata Eng 500	900 550 Tabel Corp 656 2 150 1 510 Talsho Pharm 2 130 538 296 Talyo Fishery 436	8 90 6 05 Mayne Nickles 6 28 (2.60 1.70 Metal Manuf 1.89	and are mostly last traded prices. (b). unavailable. # Dealings suspended. ad Ex dividend. xc Ex scrip issue. at Ex rights. xa Ex all.	4

57000 Arr Cda	### 1800 Decision A	155600 Mechenzie	294200 S 22200 S 22200 S 22200 S 23000 S 41300 S 41300 S 1500 S 1620 S 1	Tarker S
NEW YORK	INDI	CES		
DOW JONES Dec Dec Dec Dec 18 17 16 15	1982 Since compliation High LOW NIGH LOW	Dec 18	Dec Dec Dec 17 16 16	HIGH LOW
Federate 3313.27 3269.23 3255.18 3284.36 Home Bonds 102.92 102.94 103.06 103.05	103.21 98.41 103.21 54.99	AUSTRALIA Ali Ordenites (1/1/80) 1515.7 Ali Mining (1/1/80) /993.9	1499.A 1497.B 1509.593.4 597.9 601.5	
Transport 1451.02 1430.47 1397.23 1402.07 Utilities 222.90 219.89 219.70 219.20	20/20 (26/8) (5/9/89) (8/7/32) 225.59 200.74 236.23 10.50	AUSTRIA Creik Aktien (30/12/84) 300.75 Trated Index (2/1/91) 716.77	302.50 306.8 310. 720.95 738.77 751.8	
DJ todi. Day's High 1925.9	(3/1) (5/4) (2/1/90) (6/4/32) (7 (3289.22) Low 3261.94 (3229.79) (Theoreticals) (13.54 (3271.93) Low 3269.23 (3251.40) (Actuals)	BEL20 (1/1/91) 1116.91	1105.97 1106.35 1101.1	3 1235.40 (2/6) 1046.67 (2/9)
	·	DESIGNARIK CONSTRUCT SE G/1/83 256.66 PINLAND	257.25 268.16 267.8	
		HEX General (28/12/90) 816.68 FRANCE CAC General (31/12/81) 459.11	830.61 847.0 846. 457.11 459.70 460.5	
STANDARD AND POOR'S Composite # 44L28 435.43 43L52 432.57	441.28 394.50 441.28 4.40 (18/12) (18/12) (18/12)	CAC General (31/12/81) 459.11 CAC 40 (31/12/87) 1760.12 GERMANY	1735.23 1736.69 1744.7	9 2077.49 (11/5) 1611.04 5/16
Industrials 515.75 509.12 504.35 505.75 Financial 40.43 39.78 39.45 39.69	08/127 (8/40 08/12/92) 0/4/32) 515.75 470.91 515.75 3.62 08/127 08/40 08/12/92 (21/6/32) 40.43 52.40 40.43 8.64	FAZ Akulen (31/12/58) 585.66 Commerchant (1/12/530 1654.90 DAX (36/12/87) 1492.04	581.67 589.89 585.4 1643.50 1640.9 1654. 1476.17 1472.07 1481.2	2 2943.80 (25/5) 1594.60 (12/10)
MYSE Composite 242,08 239.12 237.26 238,02	(18/12) 18/40 (18/12/92) (1/10/74) . 242.05 217.92 242.08 4.46 .	HONG KONG Hang Senj Bank (31/7/60 5192.66	5329.46 5415.96 5315.8	
Amex M&L Value 392.03 390.42 389.30 390.66 KASDAQ Composite 661.29 658.46 649.63 650.75	08/12)	IRELAND ISEQ Overall (4/1/89) 1221.12	1213.60 1214.13 1190.1	4 1469.57 (17/1) 1094.88 (19/10)
Dec 11 Dec	व्यक्तिक व्यक्तिक व्यक्तिक व्यक्तिक	Baota Com. Nat. (1972) 425.48 MIS General (2/1/92) 642.0	429.35 466.32 464.2 831.0 804.8 800.9	
Bow Industrial Die, Yield 3.12 3.13 Dec 16 Dec		Telga SE (Toph) (4/1/68) . 1343.77	17437.91 · 17268.71 · 17480.74 1325.85 · 1317.3 · 1325.9	0 1763 43 (6/3) 1162 50 (18/8)
S & P industrial div. yield 2.58 2.58 S & P indi. P/E ratio 26,78 27.11		2nd Section (4/1/68) 1730.46 MALAYSIA KLSE Composite (4/4/86) 641.06	1725.00 1725.93 1724.4 436.11 632.89 628.8	
		METHERLANDS CBS To Riv. Sep. (End. 1983) 291.0 CBS All Sir East 1983 195,6	289.1 289.8 291.1 194.6 195.0 295.9	
NEW YORK ACTIVE STOCKS	FRADING ACTIVITY	MORWAY Usi SE God (2/1/83) USA 57	665.40 662.81 670.9	
Stocks Closing Change Friday traded price on day	† Volume Millions Dec 18 Dec 17 Dec 16	PROLIPPRIES Mania Comp (2/1/85) 1215.81 BINGAPORE	1226.73 1222.91 1183.4	9 1580.95 (11/6) 1063.91 (17/3)
IBM 7,640,900 51% - 15 A	Ten Yest SE 371.030 248.590 241.910 Tenex 17.717 15.082 15.467 USDAQ 60 247.940 258.269	SES AH-Singapore (2/4/75) 386.32 SOUTH APPRICA	381.61 .379.67 378.	
Apr 1 6. 7 4,948,800 47% + % Merck 4,306,200 47 + ½	VASDAQ 60 247.940 258.269 TYSE STREE Traded 2,419 2,421 2,411	JSE Gold (28/9/78) 835.09 JSE Industrial (28/9/78) 4279.09 SOUTH KOREA**	837.0 Ed. 832.6 4299.0 (d. 4314.0	0 4689.00 (4/6) 3936.00 (19/19)
Gen Motors 3,821,300 33½ + ½ Expen 3,552,300 62% + ½	Ses 1,298 1,130 745 Sels 571 457 1,042 Inchanged 550 632 624	Korea Comp Ex. (4/1/80) (a) SPAIN Madrid SE (30/12/85) 215.66	213.74 214.84 215.31	
5,540,200 24 T 4 H	teer Highs 141 67 47 fear Louis 21 33 29	SWEDEN Affastarides Ges. (1/2/37) 900.3 SWITZERLAND	873.3 866.8 879.3	1 1814.50 (11/5) 639 90 6/10
CANADA		Seriss Bank Ind. (31/12/58) 904.0 SBC General (1/4/87) 669.4 TANWANT*	896.3 893.9 867.1 664.7 663.6 639.3	
TORONTO Dec Dec Dec 18 17 16 Mesak & Niverals 2748.63 2741.81 2746.4	16 H(GH LOW) 2760.37 3238.87 (Lb/L) 2529.91 (17/11)	Vieightel Price (30)(4(6)) 3657.99 THAILAND Bangkok SET (30)(4/75) 848.97	368.67 3674.92 3688.26 869.92 860.4 839.3	
	3264.61 3666.00 Ob/D 3195.40 (IA/10)	WORLD M.S. Capital Int.(1/1/70) (S) 503.3°	500.5 496.8 496.4	542.10 (7/D 467.50 BHZ .
Base values of all indices are 100 except NYSE All Co Toronto Composite and Metals—1000. Toronto indices \$3. + Excluding boards 1 industrial, plus (itilities, Fig.	ommon – 50; Standard and Poor's – 10; and ces based 1975 and Mostresi Portfolio 4/1/	Earn Top-100 (25/6/90) 851.77 **Saturday December 12: Tahuan Welgitu F Saturday December 12: Tahuan Welgitu Financial recalculation.	839.87 837.93 838.69 at Price: 3,742.61, Kerea Co	
Unavailable, • The DJ indi. index theoretical day's to and lowest prices reached during the day by each stock (supplied by Telefors) represent the highest and lower	rights and lows are the averages of the highest, k; whereas the actual day's highs and lows st values that the index has reached during the	Sase values of all indices are 100 except. A Overall and DAX — 1,000, JSE Gold — 255.7	ustria Traded, BEL20, MEX G JSE 26 Industriale—264 3 -	OL. MIR GOL. CACAD, Euro Top-100, ISSA
day. (The figures in brackets are previous day's).		(c) Gosed. (a) Unamilable.		
			- · · · · · · · · · · · · · · · · · · ·	
	TOKYO - Most A Friday, December			
	Stocks Closing Change Traded Prices on day	Stocks Closing (Traded Prices	Change on day	
NPN S Touble NKK Hitach	310ci 9.5m 299 +5 Kr De 6.6m 645 +9 St 4.5m 286 +7 M	miliomo Mei 3.6m 277 kultomo Mei 3.6m 277 kuubishi Elec 3.4m 490	+6 +4 +12	
		teui Mining 2.6m 486	्र ही	
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CANADA

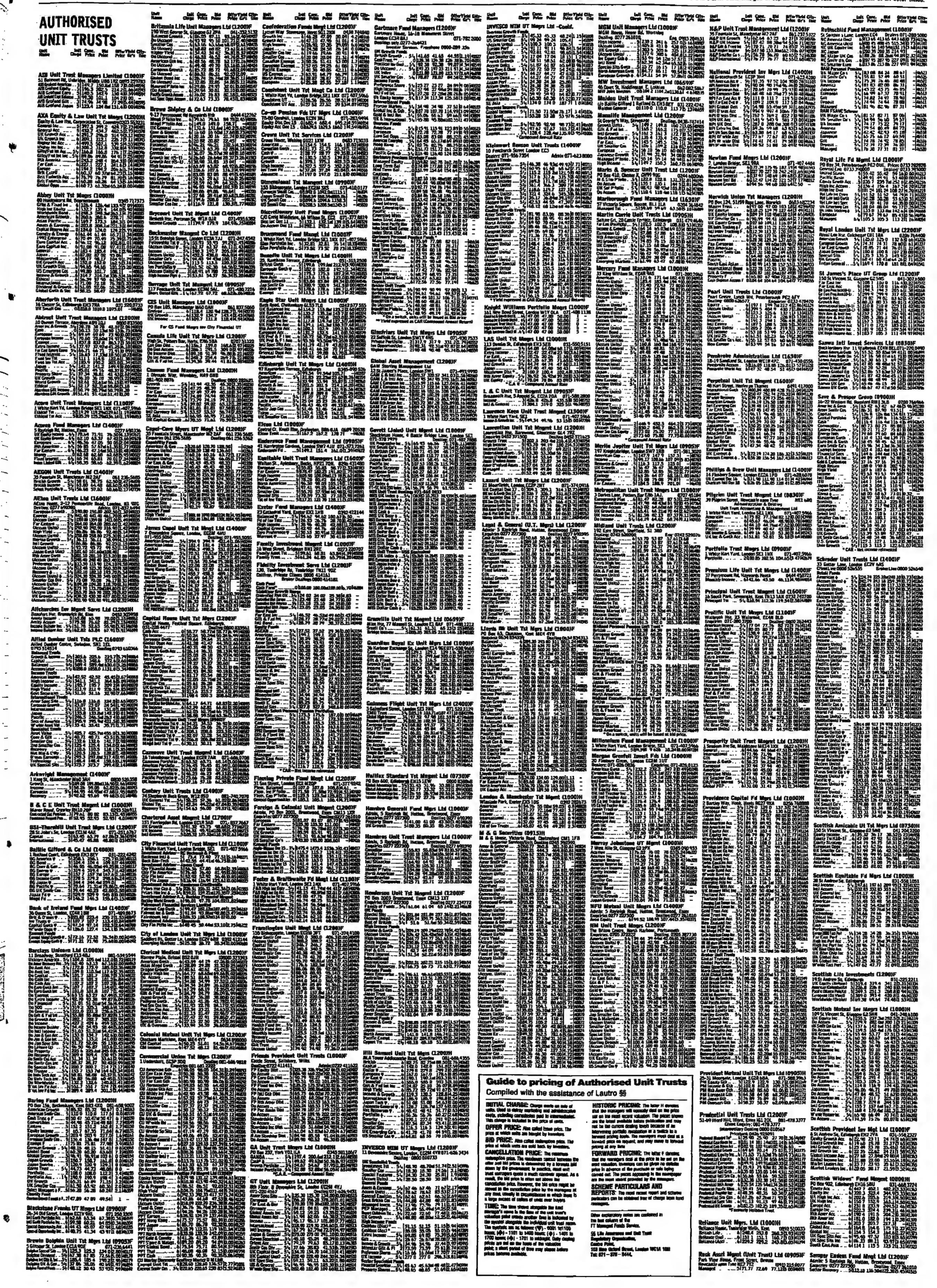
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Brussels	+322	5132816	5110472	New York	+1 212	7524500	3082397
Copenhagen	+45 33	134441	935335	Paris	+33 1	42970623	42970629
Frankfurt	+49 69	156850	5964483	Tokyo	+81 3	32951711	32951712
Geneva	+41 22	7311604	7319481	Stockholm	+468	6660065	6660064
Helsink	+358 0	7304000	730705	Vienna	+43 1	5053184	5053176
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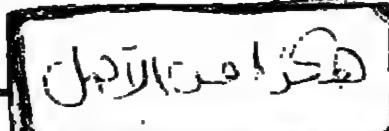


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POUND SPOT - FORWARD AGAINST THE POUND



Money Market

Money Market

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Contederation Bank Limited

Clydesdale Bank Flexible Solution Acc

30 St Vincent Place Glasgow G1 2HL 041 249 7070 610 000-529 999 5 15 3 86 5-25 - 630 900-599 999 5 25 3 94 5 35 - 6100 006-6199 999 5 35 4 61 5 46 -

CAF Money Management Co Ltd

48 Perhany Road Tonbridge TN9 2JO 0732 770114
Calcula Deposit Ford 6 83 - 7 01 - 7 02 - 7 11 - 7 22

Trust Funds

NEY MARKET FUNDS

The COIF Charities Deposit Account

2 Fore Sires' London EC2Y 5AQ (771-588 1815)

Deposit (700 - 714)

Day Heng Bank (London) PLC I

Beserve Accessed 15 Learning St. London EC3V 9AU

Davenham Tst Pic-Davenham 500 Acc 85t John St. Manchester MJ 40U 061 832 8464 110 000+6406 10 00 7 50 - - -

Fidelity Money Market Account
Fidelity Broterage Services Ltd. Galenti House,
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Leopald Joseph & Sans Limited 29Grthum Street, London 8C2V 7EA 071 588 2323

£25,001—£100,000 | 6.50 | 4.875 | 6603 | £100,002 ples. | 6.75 | 5.0625 | 6.230 |

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1 Great Cumberland Pt. London W1H 7AL 071-258 0094 110 000-90 day notice | 8.50 | 5.18 | 8.77 | -110 000-180 day porter | 9.25 | 6.94 | 9.46 | -

PO Box 135, Abbey St. Reating PG1 3EB 0734 560411 Capital Plus Chapses Account £1 900+ 16.25 4.69 | 6.40 | -

J. Henry Schroder Wagg & Co Ltd 120 Cheapide, Landon EC2V 605 Special Acc 575 4-31 5-87 -E10 000 and above 16 00 4 50 6 13 -

Western Trust High Interest Cheque Acc
The Globercentre Phymouth PL1 15E 0752 224141
£15 000+ 6 56 4 88 6 66 £5 000-£14 999 6 25 4 69 6 40 £1,000-£4 999 6 00 4 50 6 14 -

25

FOREIGN EXCHANGE AND MONEY MARKETS

Positions to close

is expected to abate for the remainder of the year although many economists believe that recent selling merely reflected a phoney war and the heavyweight strategic assaults will return in January. --

7 per cent

has been some criticism that the Bank of in the film Wall Street, the France has allowed the france punt is "wreckable" while the to slide when, in a thin market, it could have supported it easily. However, lessons have been learned from the UK's the French central bank is because dealers have had long determined not to throw good positions and NatWest Capita money after bad. Instead, it Markets advises clients to look

C IM NEW YORK

Close - Close

80.6 80.5 80.5 80.5 80.5 80.4 80.4

Morgan^e Guaranty Changes %

STERLING INDEX

CURRENCY MOVEMENTS

Morgan Guarapty changes: average 1980-1982-100, Bank of England Index (Base Average 1985-100), © Rates are for Dec.17

Clase High Low Pres. 105-14 105-15 105-06 105-09 104-09 104-11 104-00 104-04 103-04 103-04 102-28 102-31 102-00 102-00 101-25 101-27 100-29 100-29 100-25 100-25 99-29 99-29 99-25 99-00 99-00 98-28 98-00 98-05 98-01 97-13 97-09

U.S. TREASURY BENDS (CHT) 8%

PHILADELPHIA SE E/S OPTIONS E31,250 (cents per £1)

Dec.19

9.00 ass

11.00 - '----

Noon 1.00 pm 2.00 pm 3.00 pm 4.00 pm

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10 To 10 To

wrfff little but the Christmas holidays to focus on this week most traders will be busily closing their positions. They will be looking forward to taking their profits following a turbulent fourth quarter, writes Peter John.

Pressure on the French franc is expected to abate for the like analysts are like analysts are like analysts are like analysts are like analysts.

In the UK, analysts are preparing to pick over the November trade figures tomorrow Mr Neil MacKinnon of Citibank expects the seasonally adjusted visible trade gap to have widened to £1.3bn from £1.2bn in October Elsewhere in Europe

pressure on the Irish punt and the Danish krone-continues There is a feeling that, a Gordon Gekko would have said krone will receive mor support.

The dollar has performed badly in spite of positive US has been conducting, along for buying opportunities with the Bundesbank, a strong against the D-Mark and Yen.

OTHER CURRENCIES

Argentina ... | 1.5655 - 1.5680 | 0.9900 - 0.9938 | 2.2625 - 2.2645 | 1.4460 - 1.4670 | 1.7836.8 - 1.7648.4 | 1.2782.0 - 1.1262.2 | Flaiend ... | 8.0205 - 8.1850 | 5.1200 - 5.1400 | 572.950 - 3.29.450 | 205.850 - 209.950 | 1.200 | 1.2135 | 1.220 | 1.2135 | 1.220 | 1.2135 | 1.220 | 1.2135 | 1.220 | 1.450 | 0.9900 | 1.213.50 | 1.213.50 | 1.213.50 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 1.450 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950 | 0.9950

Floating rate. Iras Official rate: £99.70 \$66.20

CURRENCY RATES

Bank & Special * Drawing * Rights

0.885951 1.40441 1.78950 15.2926 44.7937 N/A 2.17009 2.44550 7.43214 1962.34 172.953 9.36250 155.038 9.62372 1.94851 #/A

0.8112 0.8147 0.8103 0.8115 0.8117 0.8111

Close High Low Prev. 0.6306 0.6324 0.6277 0.6327 0.6240 0.6250 0.6211 0.6260 0.6213

DEUTSCHE MARK (MIN) 96125,000 \$ per 911

HREE-MONTH EUROBOLLAR (IMM)

DOLLAR SPOT - FORWARD AGAINST THE DOLL	1975 20140 1995	925 - 2.0146 525 - 2.7665 1.35 - 50.75 660 - 9.5130 280 - 0.9335 475 - 2.4590 00 - 220.20 65 - 175.15 100 - 2221.40 170 - 10.550 525 - 8.4095 50 - 11.0420 50 - 11.0420 50 - 12.595 34 - 2.2145 350 - 1.2595 34 - 2.2145 350 - 1.2595	19955 1 9965 2.7525 2.7625 -90.45 50.55 -9.4700 -9.4800 -0.9280 -0.9290 2.4475 -2.4525 219.00 -220.00 173.85 -174.15 2199.00 -2200.00 19.505 -10.8550 192.50 -193.50 17.21 -17.24 2.205 -2.215 1.2555 -1 2565	0 06pm-0.05cds 1-1-cds 2-4cds 51-11-cds 1.80-1.20pm 1-1-pdds 1.67-185cds 11-15-lireds 41-5-3-cds 21-3-creds 2-1-2-grods 1-1-2-grods 1-1-2-grods 1-1-2-grods 1-1-2-grods 1-1-2-grods 1-1-2-grods 1-1-2-grods	1.09 -1.09 -1.17 -	0 03-0.18d8 1-1-d8 15-2548 14-221-d8 14-25599 14-1-48 474-53346 328-33946 35-4046 12-13-48 94-11-48 7-8-404 14-1-8-00 41-7-2-06 13-1-2-06 253-2-48pm 1	
Retherlands 2.7525 - 2.7625 2.7525 - 2.7625 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.	Company Comp	\$25 - 2.7665 35 - 50.75 660 - 9.5130 475 - 2.4570 00 - 220.20 475 - 2.4570 100 - 220.20 175 . 15 100 - 2221.40 170 - 10.5520 170 - 10.5520 170 - 10.5520 170 - 11.0020 170 - 11.0020 170 - 17.31 125 - 2.2145 126 - 2.2145 127 - 2.2145 128 - 2.2145 129	2.7525 - 2.7625 -90.45 - 50.55 -9.4700 - 9.4800 -0.9280 - 0.9290 -2.4475 - 2.4525 -219.00 - 220.00 173.85 - 174.15 -2199.00 - 2200.00 10.5375 - 10.5475 	4-4-cds 2-Acds 54-11-acds 1.80-1.20ppm 4-1-ptdls 1.67-185cds 119-125cds 119-1	-1.09 -1.31 -1.29 -2.14 -2.14 -2.19 -2.14 -2.19 -2.19 -2.19 -1.10	4-1 4 de 15-25 de 14-2-22 1 de 120-2-55 pm 14-1 4 de 474-53 2 de 328-33 9 de 35-40 de 12-13 4 de 94-11 4 de 7-84 de 14-1 2 pm 44-7 2 de 14-1 2 pm 113-1 27 de	-1.4 -1.7 -1.7 -1.2 -1.3 -1.4 -1.4 -1.4 -1.4 -1.4 -1.4 -1.4 -1.4
Reightst S0.35 - 90.75 -90.45 - 50.55 2-Acets -1.11 15-25ets Description 9.4860 -9.5100 9.4700 9.4800 6.11 houls -11.72 142-221 dis leaded 0.9290 0.9395 0.9280 0.9290 1.80-1.20ppm 3.99 1.20-2.55pm 1-1.14ets 1.20 0.9290 2.4475 2.4525 2.4525 1.515 1.515 1.72.15 1.72.15 1.74.15 1.61-125etts -9.52 474-5334ts 3.28-3.394ts 1.219.00 220.00 1.51-125etts -9.52 474-5334ts 3.28-3.394ts 1.219.00 220.00 1.51-125etts -9.52 474-5334ts 3.28-3.394ts 1.219.00 220.00 1.51-125etts -9.52 474-5334ts 3.28-3.394ts 1.213-40ts 1.0.5170 10.5920 10.5375 10.5475 44-57-6tts -5.69 1.213-40ts 474-5334ts 474-534ts 474-5334ts 474-534ts	Solid Soli	35 - 50.75 660 - 95130 280 - 0.9335 475 - 2.4590 00 - 220.30 45 - 175.15 100 - 221.40 170 - 10.5620 525 - 8.4095 630 - 11.0420 250 - 193.70 21 - 17.31 25 - 2.2145 250 - 1.2595 250 - 1.2595	-90.45 - 50.55 9.4700 - 9.4800 -0.9280 - 0.9290 2.4475 - 2.4525 219.00 - 220.00 173.85 - 174.15 2199.00 - 2200.00 10.5375 - 10.5475 8.3625 - 8.3725 10.850 - 10.8550 192.50 - 193.50 17.21 - 17.24 2.205 - 2.2125 1.2555 - 1.2565 - FORWAL	2-Acets 64-11-hadis 1.80-1.20ppn 4-1-pidis 147-185cets 114-125cets 114-125cets 44-34-odis 34-44-cets 24-34-oredis 4-1-2-pendis 14-2-pendis 14-1-com 0.39-0.45cets	-131 1172 1974 -2462 -7549 -539 -139 -139 -401	15-2546 14-221-dis 120-2559m 14-14-dis 474-533dis 528-339dis 35-4068 12-13-dis 94-11-4dis 14-15-900 43-71-dis 13-12/dis 13-12/dis	-158-123-148-4.98-148-4.98-28-28-28-28-28-28-28-28-28-28-28-28-28
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Serumany	24975 24676 24475 24525 3-1-1666 -2.14 1-1-166 -1.5	475 - 2.4590 90 - 220.30 95 - 175.15 90 - 2221.40 170 - 10.500 55 - 8.4095 90 - 11.0020 21 - 17.31 125 - 2.2145 250 - 1.2595 atom towards 1	2.4475 - 2.4525 219 00 - 220.00 173.65 - 174.15 2199.00 - 2200.00 10.5375 - 10.5475 8.3625 - 8.3725 10.860 - 10.0250 192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1 2565	4-b picts 167-185cds 119-125cds 119-125cds 11-15-lireds 44-34-cds 24-34-ceds 24-3-ceds 4-bypes 14-2-ceds 6-bypes 0 39-0 45cds	- 2.44 - 4.62 - 7.69 - 7.69 - 7.89 - 1.50 - 1.50 - 4.00 - 4.00	14-14dis 474-533dis 528-339dis 35-40dis 12-134dis 7-84dis 14-15900 44-719dis 1-3-127dis 13-127dis 253-248pm 1	-1 9 -9.1 -7 6 -4.8 -4.9 -2.8 -1.4 0.9 -3.8
Pertugal 219 00 - 220.30	219 00 - 220,30	00 - 220.20 25 - 175.15 00 - 2221.40 170 - 10.5620 25 - 8.4095 50 - 11.0420 21 - 17.31 125 - 2.2145 250 - 1.2595 atten towards 1	219 00 - 220.00 173.85 - 174.15 2199.00 - 2200.00 10.5375 - 10.5475 10.5455 - 8.3725 10.5450 - 10.0550 192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1 2565 In end of London tra	167-185cds 114-125cds 114-125cds 14-125cds 14-25-cds 24-34-ceds 14-25-ceds 14-25-ceds 14-1-25-ceds 14-1-25-ceds 13-0-45cds	- 4 52 - 7 69 - 7 69 - 7 79 - 1 79	474-53346 \$28-33966 35-4068; 12-13-4 de 9-1-14-de 7-8-4 de 13-1-5-per 43-71-2 de 13-1-27de	-9.1 -7.6 -4.8 -4.9 -2.8 -1.4 0.9 -3.8
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10 10 10 10 10 10 10 10	10 17 10 10 10 10 10 10	100 - 2221.40 170 - 10.5820 525 - 8.4095 930 - 11.0420 250 - 193.70 21 - 17.31 125 - 2.2145 250 - 1.2595 Atten towards 1	2199.00 - 2200.00 10.5375 - 10.5475 8.3625 - 8.3725 10.8450 - 10.8550 192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1 2565	11-15 lired is 44-54 od is 34-44 cds 24-34 ored is 4-54 pared is 5-54 pared is 5-54 pared is 6-54 pa	-7 09 -5 69 -5 39 -1 35 -1 152 -4.01	35-40ds; 12-13-14ds 9-1-11-4ds 7-8-14ds 14-1-1944 44-71-14ds 1-3-127ds ar 2-53-2-48pm 1	-5.8 -4.9 -2.8 -3.5 -1.4 0.9 -3.8
Saptem	Reserve	\$25 - 8.4095 \$30 - 11.0420 250 - 193.70 21 - 17.11 125 - 2.2145 250 - 1.2595 atten towards 1	8.3625 - 8.3725 10.8450 - 10.8550 192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1.2565 ar end of Landon tra	34.44 cits 24.34 oredis 4.5 year 14.25 grods 4.5 com 0.39-0.45 cits ding. Six-month for	-510 -339 -135 -135 -4.01	9%-114dk 7-84dis 1%-1%9m 4%-7½dis 4-50m 113-127db	-4.9 -2.8 3.5 -1.4 0.9 -3.8
10.8450 11.0420 10.850	192.50 - 193.70 192.50 - 191.50 1-1950 1	SPOT Day's	10.8450 - 10.0550 192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1.2565 a end of London tra	24-34-presis 4-12-ypen 11-21-perosis 4-1-pen 0.39-0 45-cilis ding. Six-month for	-3.39 3.59 -1.35 1.02 -4.01	7-84 dis 14-15 pm 44-71 dis 4-3 pm 113-127 dis 2-253-248 pm 1	-2.8 3.5 -1.4 0.9 -3.8 2 Mon
192.50 - 193.70 192.50 - 193.50 1-1-yper 3.89 1-1-yper 1.30 1.3	192 50 - 193 70 192 50 - 193 50 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	50 - 193.70 21 - 17 31 25 - 2.2145 250 - 1.2595 aten towards 1	192.50 - 193.50 17.21 - 17.24 2.2025 - 2.2125 1.2565 - 1 2565 at each of Landon tra	1½-2½ grodis ½-1 _a cpm 0.39-0 45cdis dang. Six-month for	3.89 -1.35 102 -4.01	15-15 per 45-71 per 13-12 de ar 253-248 pm 1	3.5 -1.4 0.9 -3.8 2 Mon
Aristria 17.21 - 17.31 17.21 - 17.24 13.2 growth 1.02 1.35 1.3 growth 1.2 growt	17 21 = 17 31 17 21 = 17 24 13 - 23 - 23 - 135 44 - 7 1 dis -14 2005 - 2 2125 1 - 15 cpm 102 1 - 15 mm 0.9 1 - 15 mm	SPOT	17.21 - 17.24 2.2025 - 2.2125 1.2555 - 1.2565 as ead of Landon tra	1½-2½ grods is-lacem 0.39-0 45cds dang. Six-month for	-1.35 102 -4.01 stard dollar	44-71-dis 1-3-pm 1-13-1-27-dis ar 2-53-2-48-pm 1	-1.4 0.9 -3.8 2 Mon
Companies Comp	1.2550 - 1.2595 1.2555 - 1.2565 0.39-0.4528 -4.01 1.13-1.2748 -3.88 -3.88 -4.01 1.2550 - 1.2595 1.2555 - 1.2565 0.39-0.4528 -4.01 1.13-1.2748 -3.8	25 - 2245 250 - 12595 aten towards 1 SPOT	22025 - 22125 1.2565 - 1 2565 at each of Landon tra	0.39-0 45cdis ding. Six-month for	1.02 -4.01 stard della	1.13-1.27db 1.13-1.27db ar 2.53-2.48pm 1	0.9 -38 2 Mon
DOLLAR SPOT - FORWARD AGAINST THE DOLL	Company Comp	SPOT	FORWAL	ding. Six-month for	sard delt	1.13-1.27db ar 2.53-2.48pm 1	2 Mori
DOLLAR SPOT - FORWARD AGAINST THE DOLL Dec 18	Dec. 18 Der/s Close One musuals % Three months % 1.5630 · 1.5750 1.5650 · 1.5660 0.54-0.52cpm 4.96 1.43-1.40pm 3.6 3.35-2.45cpm 20.65 6.50-5.50pm 14.2 2.2725 · 1.2750 1.2740 · 1.2750 0.39-0.45cils · -3.95 1.16-1.26dis · -3.8 2.21-2.31tis · -5.1 2.21-2.31tis · -	SPOT	FORWA				
DOLLAR SPOT - FORWARD AGAINST THE DOLL Dec. 18	Dec. 18 Der/s Close One musuals % Three months % 1.5630 · 1.5750 1.5650 · 1.5660 0.54-0.52cpm 4.96 1.43-1.40pm 3.6 3.35-2.45cpm 20.65 6.50-5.50pm 14.2 2.2725 · 1.2750 1.2740 · 1.2750 0.39-0.45cils · -3.95 1.16-1.26dis · -3.8 2.21-2.31tis · -5.1 2.21-2.31tis · -	SPOT	FORWA				
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Dec. 18 Day's Close One mentals One one of the mentals	Dec 18	Day's		D AGAIN	ST	THE DOLL	AF
Dec. 18 Day's Close One month Pare Report	Dec 18	Day's		D AGAIN	ST	HE DOL	AF
Dec. 18 Day's Close One mentals One one of the mentals	Dec 18	Day's		RD AGAIN	IST 1	THE DOL	ME
	1.5630 - 1.5750 1.5650 - 1.5860 0.54-0.52cpm 4.96 1.43-1.40pm 3.6		Class				POUR
UK7	1.5630 - 1.5750 1.5650 - 1.5660 0.54-0.52cpm 4.96 1.43-1.40pm 3.64 1.4785 - 1.6880 1.6850 - 1.6860 3.35-2.45cpm 20.65 6.50-5.50pm 14.2 1.2725 1.2750 1.2740 - 1.2750 0.39-0.45cds -3.95 1.16-1.26d/s -3.8	Sheep	4-1-0	One month			
reland:	1.6785 1.6880 1.6850 1.6860 3.35-2.45cpm 20.65 6.50-5.50pm 14.2 1.2725 1.2750 1.2750 0.39-0.45cds -3.95 1.16-1.26ds -3.8 1.7560 1.7680 1.7615 1.7625 0.79-0.84cds -5.55 2.21-2.31ds -5.1 1.560 1.560 1.560 1.5660 1.5660 0.78-0.80pfds -6.06 2.17-2.19ds -5.5 1.39 90 140.50 140.40 140.50 155-165cds -13.67 1.120 111.70 111.30 111.40 100-130cds -12.39 300-350dds -11.6 1.404 90 1412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 3.570-38.20ds -10.5 1.404 90 1412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.14 14.00-16.50dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.412.75 1404.75 1405.25 12.20-13.70tlreds -11.06 11.00-11.60dis -10.5 1.404 90 1.4		15100 15100		-		_
1.2725 1.2750 1.2740 1.2750 0.39-0.45cits -3.95 1.16-1.26tis 1.7560 1.7680 1.7615 1.7625 0.79-0.84ctis -5.55 2.21-2.31tis 1.25tis -3.210 32.10 32.30 32.20 32.30 14.00-16.00cits -5.58 40.00-44.00tis 1.5600 1.5660 1.5660 1.5660 0.78-0.80tfs -6.06 2.17-2.19tis 1.39.90 140.50 140.40 140.50 155-165cits 13.67 435-470tis 1.20 111.20 111.70 111.30 111.40 100-130cits 12.39 300-350tis 120 1404.50 1404.50 1404.75	######################################		73620 - 73660	0.34-0.52cpm			
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ermany	1.5600 1.5660 1.5660 1.5660 0.78-0.80pfels -6.06 2.17-2.19dis -5.560 139.90 140.50 140.40 140.50 155-165cits -13.67 435-470dis -12.8 111.20 111.70 111.30 111.40 100-130cits -12.39 300-350dis -11.6 1404.90 1412.75 1404.75 1405.25 12.20-13.70ticrdis -11.06 35.70-38.20dis -10.5 1404.95 6.7325 6.7375 5.25-7.25crdis -11.14 14.00-16.50dis -4.0 12.39 11.00-11.60dis -4.0 12.30 12	10 - 32 30			-5.58 L		-5.2
Portogal 139 90 - 140.50 140.40 - 140.50 155-165cdis -13.67 435-470dis -13.67 435-470dis -13.67 306-350ddis -12.39 306-350ddis -12.	139 90 - 140.50		6.0500 - 6.0530		- 14.84		
South 111.20 - 111.70 111.30 - 111.40 100-130cdts -12.39 306-350cdts - taby	### 111-20 - 111-70 111-30 - 111-40 100-130cdls -12.39 300-350cdls -11.60 35 70-38 20dls -10.5 36 - 36 70 36 70 8 20dls -10.5 36 70 8 20dls -1	00 JW 50					
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France 5.375 - 5.3700 5.3425 - 5.3475 4.00-4.50cils -9.54 11.00-11.60dis Sweden 122.90 - 123.35 123.25 - 123.35 4.00-5.00credis -7.79 11.00-12.00dis Japan 10.9915 - 11.0400 11.0400 - 11.0450 4.85-5.25gradis -5.49 13.60-14.70dis		20 - 111.70 50 - 1412.75 50 - 6.7585 75 - 5.3700 40 - 7.6450 90 - 123.35 715 - 11.0400	140.40 - 140.50 111.30 - 111.40 1404.75 - 1405.25 6.7325 - 6.7375 5.3425 - 5.3475 6.9275 - 6.9325 120.25 - 123.35 11.0400 - 11.0450 1.4095 - 1.4105	100-130cds 12-20-13, 70thredis 5 25-7, 25cmds 4,00-4,50cds 4,00-5,00cmds 0,02-0,03pds	12.39 -11.06 -11.14 -9.54 -7.79 -0.24 -5.49 -2.44	300-3504dis 35 70-38 20dis 14.00-16.50dis 11.00-11.60dis 11.00-12.00dis 0 06-0.00dis 13,60-14.70dis 0.93-0.98dis	777 TTTT
	#8564366 () #150			0.85-0.83eps			7 2
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Sueden 5.33 Sueden 6.91 Japan 122 Austria 10.99			10 - 32 30 10 - 6 0720 90 - 1 5660 90 - 1 40 50 20 - 1 1 1 70 50 - 1 41 2 75 50 - 6 7 585 75 - 5 3 700 90 - 1 23 35 15 - 1 1 0 400 90 - 1 41 70	10 - 32 30	10 - 32 30	10 - 32 30	10 - 32 30

<u>: </u>			EXC	AH	NGE	CR	088	RAT	E\$			
900,18	2	\$	944	Yes	F Ft.	S Fr.	N Fl.	Ura	CS	B Fr	Pta.	Equ
S PER PER CS AFF. PER ER	1 0.639 0.408 5.181 1.195 0.453 0.455 0.501 1.980 0.575 0.796	1.566 1 0.539 8.114 1.871 0.709 0.568 0.712 0.785 3.101 0.900 1.247	2 450 1.564 1 12.69 2.928 1 110 0.688 1 114 1.227 4 851 1.951	193.0 123.2 78.78 1000. 230.6 87.73 96.69 382.2 110.9 153.7	8.368 5.344 3.416 43.36 10, 3.790 3.014 1.804 4.192 16.57 4.809 6.662	2.208 1.410 0.901 11.44 2.639 1 0.801 1.004 1.106 4.372 1.269 1.758	2.758 1.761 1.126 14.29 3.296 1.249 1.254 1.382 5.461 1.585 2.196	2200 1405 898.0 11399 2629 996.4 797.7 1000. 1102 4356 1264 1752	1.996 1.275 0.815 10.34 2.385 0.904 0.724 0.907 1 3.952 1.147 1.589	50 50 332 25 20.61 260.35 22.87 18.31 22.95 25.30 29.02 40.21	174.0 111.1 71.02 901.5 207.9 78.80 63.09 79.09 87.17 344.6 138.5	1.256 0.802 0.513 6.508 1.501 0.569 0.455 0.571 0.629 1.487 0.722
es per l		reach Fr.	· <u>.</u>									

Dec 18	Short.	7 Days	One	Three	Siz	One
	tensi	notice	Month	Months	Montes	Year
Sterling. US Dollar Can. Dollar Dutch Guilder Swiss Franc. D-Mark. French Franc. talken Ura. Belgian Franc. Ven. Danish Krone. Ksian SSing. Fortuguese Esc.	85 - 812 101 - 91 131 ₂ - 111 ₂	74 - 7 3 - 24 64 - 6 83 - 83 64 - 54 8 - 74 11 - 15 134 - 15 25 - 24 15 - 15 16 - 15	7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	74 - 74 34 - 37 75 - 74 8H - 8H 64 - 64 91 - 9 124 - 134 9 - 84 18 - 13 18 - 13 18 - 13 18 - 13 18 - 15 174 - 154	7 - 617 318 - 314 7 5 - 7 4 8 - 8 4 6 - 54 9 - 9 1 11 - 10 2 14 - 13 4 8 - 3 1 14 - 11 21 - 24 15 - 14 4 17 - 15 1	612 - 6 414 - 7 714 - 7 714 - 7 104 - 9 14 - 13 712 - 1 3 - 2 145 - 14 164 - 14

FT	LONI	ON IR	ITERBAN	K FIXING
00 am. De	r 189 3 mag	nths US dollars		b months US Dollars

(11.00 a.m. Dec.	189 3 months US dollars	b manite	US Dollars
M4 34	· offer 3&	bld 3.2	offer 3tl
he fixing rates are the a	withmetic means rounded to the se	erest pae-sixteenth, of the I	old and offered rates for \$10a
pioted to the market by Jank, Bank of Tokyo,	five reference basics at 11.00 a.m Deutsche Bank, Banque Mational	, each working day. The ba de Paris and Morgan Guar	nis are Mational Westminster anny Trust.
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		NONE	RAT	'ES		
NEW YORK			Treasury	Bills and	Bonds	
4pm Prime rate	. 6 5 2½	One month	**************************************	3.27 Five) 3.23 Seven 3.42 10-ye 3.67 30-ye	764	6 06 6.40
Dec.18	Bremight	One Month	Two Months	Three Months	Siz Months	Lombard
Friedfert Paris	8.75-8.85 913-91 55-55 8.55-8.70 312-35 125-125 8.56-8.68 16-18	9 10-9 25 11 7-12 4 6 4-6 4 8 70-8 85 3 4-3 11 14 6 8 11-9 20-21	9.05-9.15 171 ₂ -181 ₀	9 05-9.15 114-12 64-64 8.62-8.70 34-35 14-144 84-85 164-175	8 60-8 70	9.50 9 10

LONDON MONEY RATES											
Dec 18	Overnight	7 days notice	One Month	Three Months	Şix Months	One Year					
nterbank Offer nterbank Bid Rerling CDs. Local Authority Deps. Local Authority Bonds Discount Wikt Deps Company Deposits Finance House Deposits Freasury Bills (Buy) Line Trade Bills (Buy) Linked Dep. Offer Linked Dep. Bid	76 67 7	74.74.	7777 - 1 1 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	77777 1 124 - 20 1111111111111111111111111111111111	7.5 6.7 6.6 6.6 6.6 7.4 5.4 5.4 10 10 10 10 10 10 10 10 10 10 10 10 10	7 64 61 61 90 5 5 4 9 12					

1,71,146	8.71 p.c., Schemes II & III: 8.54 p.c. Reference rate for period October 31, 1992; 7.94 a.87 11.01 1992, Scheme IV&V: 7.267 p.c. Local Apphority and Finance Houses seven day 9.97 10.81 12.85 seven days liked. Finance Houses Base Rate 8 from December 1. 1992: Bank I 12.89 14.80 sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit 14.41 15.08 16.84 over held under one month 312 per cent; one-three months 6 per cent; three-six cent; six-oine months 5 per cent; aloe-twelve months 5 per cent; Under £100,6 from Nov.16, 1992, Deposits withdrawn for cash 1 per cent.	Deposit Rates for sit £100,000 and x months 5½ per cent for 14½pc 1994; Each 13½pc 1994; Each 13½pc 1994; Each 13½pc 1994; Each 12½pc 1994; Each 12½pc 1994; Each 12½pc 1994; Each 1994; Ea	108] 101] 108] 108] 108] 108] 103]	1,00 2,10 5; 1,10 1,90 1,20 1,90 2,30
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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

IATIONAL AND EGIONAL MARKETS			FRID/	AY DECE	MBER 18	1992			TH	URSDAY	DECEME	ER 17 1	992	DOL	LAR IND	EX
ligures in parentheses how number of lines f stock	US Doller Index	% chg (\$) since 31/12/91	Pound Sterling Index	Yan Index	DM Index	Local Carrency Index	Sty 15/91	Gross Div. Yield	US Dollar Index	Pound Starling Index	Yen Index	DM Index	Local Currency Index	1992 Hìgh	1992 Low	(approx
ustralia (68)	123.03	- 18.4	116.51	95.89	100.14	118.37	- 10.3	4,11	121.29	114.28	94.42	98,53	118.97	153.68	108.18	
ustria (19)	134.91	- 19,0	127.76	106.15	109.80	110.00	-16.2	2.23	137.34	129.40	108.91	111.57	110.41	186.70	134.91	164.3
elgium (42)	136.27	- 5.6	129.05	106.20	110.90	108.37	-2.6	5.28	135.62	127.97	105.72	110,33	107.35	152.27	133.99	139.4
anada (113)	115.11	- 15.5	109.02	39.71	93.68	106.24	-6.9	3.19	114,49	107.87	89.12	93.00	105.62	142.12	111.36	130.
enmark (34)	197.81	-26.0	187.34	154.18	161.00	162.84	-24.1	1.68	198.80	187.32	154.76	161.49	162.98	273.94	181.70	
nland (15)	71.26	-8.7	67,48	55.54	58.00	76.71	+13.3	1.84	72.24	68,07	56.24	58,68	77.47	89.80	52.84	73.
ance (99)	145.28	-3.4	137.59	113.23	118.24	121.81	-0.4	3.70	143.54	135.24	111.73	118.59	120,23	168.75	136.93	139.
ermany (64)	104.14	-11.2	98.62	81.18	84.76	84.76	~8.4	2.68	103.43	97.45	80.53	84.02	84.02	129.69	102.51	113.
ong Kong (53)	209.71	+ 18.9	198.60	163,44	170.69	206,28	+18.2	4.33	214.58	202.18	167.04	174.32	213.07	262,28	176.38	170.
eland (16)	141.B4	- 15.5	134.33	110.55	115.44	118.57	- 12.4	4.62	141.42	133.25	110.09	114,88	117.46	173,71	122,98	163.
Hy (77)	54.04	-28.3	51.18	42 12	43.98	56.71	-12.3	3.65	53,29	50.21	41.48	43.29	55.86	80.86	47.47	71.
рал (472)	109.45	- 19,4	103.65	85.30	89.09	85.30	-20.5	0.99	107.91	101.67	84.00	87.67	84.00	140.95	87:27	127
plant (472)		+23.7	250.82	208.41	215.55	263.26	+ 17.3	2.52	263.26	248.05	204.93	213,85	261.34	282,42	212.49	206.
		+ 15.9	1528.73	1256.48	1312 10	5495.78	+18.8	1.09	1602.34	1509.76	1247.34	1301.64	5472.97	1789.77	1185.84	
exico (18)	164 92		146.62	120.67	126.01	124.51	+4.5	4.57	154.23	145.32	120.06	125,29	123.68	169.70	147.88	148
etheriand (25)	154.82	+1.4		32.48	33.92	42.76			41.91	39.49	32.62	34.04	42.85	48.52	37.39	44
ew Zealand (13)	41.68	-11.3	39.47				-7.4	5.22	_	134.66	111.25		_		128.05	170
orway (22)	143.86	- 19,5	136.24	112.13	117.09	131.51	-9.1	1.84	142.91			116.10	129.43	192.95		
ngapore (38)	208.02	-5.3	197.01	162.13	169.31	157.22	-4.1	2.10	204.72	192.89	159.36	166,30	154.48	229.63	179.65	208
outh Africa (60)	146.57	-41.1	138.81	114.24	119.29	155.33	- 10.2	3.30	147.62	139.09	114.91	119.91	155.90	263.60	134.21	239.
pain (48)	121.24	-22.5	114.82	94.49	98.67	102.27	- 10.7	5.89	120.31	113.36	93.66	97.73	101.17	161.72	107.10	146.
weden (31)	166.15	-8.3	157,35	129.50	135.23	170.45	+14,7	2.30	159.99	150.75	124.55	129.97	164.67	200.28	149.69	167
witzerland (60)	114.53	+14.1	108.46	89.27	93.22	100.11	+18.7	2.14	114.46	107.85	89,11	92.99	99.45	122.37	95.99	96.
nited Kingdom (226)	174.68	-5.7	165.43	136.13	142.18	165,43	+126	4.46	172.30	162.35	134.11	139.95	162.35	200.07	161.86	174.
SA (522)	180.06	+6.0	170.52	140.35	146.56	180.06	+6.0	2.84	177.73	167.48	138.36	144.38	177,73	160.06	160.92	157.
				106.98	111.72	121.82	+3.7	3.86	135.83	127.98	105.74	110.35	120.10	156.88	131.31	140.
urope (778)	137.26	-7.1	129.99		123.59				148.60	140.01	115.68	120.71	135.88		141.24	
ordic (102)	151.84	-17.4	143.80	118.35		138.86	-3.5	2.07						188.52		
	113.33	-17.4	107.33	88.33	92.24	90.25	-17.8	1.33	111.95	105.48	87.15	90.94	89.06	141.97	93.70	
uro Pacific (1491)	123.01	-13,2	116.50	95.87	100.11	102.99	-9.4	2.48	121.61	114.58	94.66	98.78	101.59	145.21	113.80	
	176.04	+4.9	166.71	137.22	143.30	175.06	+5.4	2.85	173.81	163.77	135.32	141.22	172.84	176.04	158.70	155.
urope Ex. UK (552)	115.08	- 8.0	108.98	89.71	93.68	98.31	-23	3.41	114.15	107.58	88.88	92.75	97.26	132.98	111.33	119.
	151.44	+0.9	143.42	118.05	123.27	139.87	+3.8	3.61	151.65	142.89	118.07	123.21	139.90	175.31	146.06	144.
	123.92	- 13.6	117.35	96.59	100.88	104.99	-9.0	2.50	122.57	115.48	95.42	99,57	103.62	146,91	115.99	135.
_			131.42	108.18	112.95	124.36	-4.9	243	137.17	129.24	106.78	111.44	122.82	150.58	127.21	138.
orld Ex. UK (1978)	138.77	-6.2		110.66	115.56	127.70	-3.2	2.64	140.28	132.18	109.21	113.97	126.03	153.05	130.04	141.
orld Ex. So. Af. (2144)	141.97	-5,7	134.45												151.93	150.
orld Ex. Japan (1732)	160.37	-0.3	151.88	125.00	130.54	152.78	+4.4	3.22	158.61	149.45	123.48	128.87	150.92	165.40		_
e World Index (2204)	141.89	-6.2	134.37	110.59	115.49	128.00	-3.2	2.64	140.22	132.11	109.16	113.91	126.33	153.70	130.86	141.

(US 5 Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent change during the week ending 18/12/92: Deletion: Ranks Hovis McDougell (U.K.). Constituent change with effect 21/12/92: Jungbunzlauer

EQ	ודונ	E\$	L	OND	ON RECENT	ISS	UE	5			
Price	Am'st Paid	Latesi Remaki Data	High	42 Low	Stock	Çiçsim Price	He	¥и 0 г		fan,	P/E
130 130 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			1291; 250 103 99 103 25 92 1091; 183 112 103 208 200	100 231 100 98 98 30 87 101 168 11, 95 73 157	BTR Warrant 1997 Centraley Croup For & Cal PEP Inv Fit Hoare Govett Smir Co.; Humer, Armiev Jos Hiero Cap Oo Inc Do Zero Div Pt Marional Expres; Prime People Warrants Second Consolidates Tadpole Technology OTeppe I Diagnostic; Wetherspron () D t	127 258 102 99 98 35 90 1084 192 15 98 179 192 200	5.54 M 4.45	26 1 87 58 44 94 87 13	22	3.44 6 - 10 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m 1 m	176
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		F	XED	INTE	REST STOCKS		Call Find 6 55 h 58 56 57 Option 16 554 Prime 6 44
letae Price	Amount Paid	Lates) Renunc	19	42	Stock	Design +	ø
£	III)	Date	High	Low	1 200-	1 11	" Money Mari
100p 100p 100 150p	F P F P F P	:	1144.p 103a 113 113ppm	104 tap 1001-p 104 ta 98ppm	Briston Water & Loc PI Commercial Union & Loc Cm PI NEC 1 Loc Co Bd 2007 Notes all hon-im Bry Co 1815	1125ep > 163g + 1115 un > 1	Bank Accou
				GHT	S OFFERS		AIB Bank High Interest (belinom Rd Uzbridge UBB 15A (2 500—69 999 3 25 (10 000) 4 70
Itsue			19	192	Clark	Class g	
Price p	Pard	Renunc. Date	Kigh	Low	Stock	i i	Tre-mary Acc 5 50 50 10 let 1 a c 1
100	Mei	1/2	27pm	24pm	Plearmonth & Burchett	7/5	200 BE Charles Charles 190 Be Charles Charles Charles Charles 190 Be Charles C

			RI	GHT	SOFFERS		Belinom Rd Uxbridge L f.2 506-C9 999 f 10 000+	13 25 2	2 44 3 52	0600 28 3 29 4,79	2115 -	J
Itsue Price	Amount. Paid	Laxest Resume	19	142	Stock	Otto g Pro. + su	Aithen Hume Ban 30 City Road ECLY 2A	Y	156	0/1-636	6070	10
ρ	up	Date	Klyh	Low			13ch bat (3:2 €5 000-£49 999	18 00 4		5 61 5 64 6.17	-	Ë
preliminary Ex-dividend based on pr	liquires u l. F Divides ospectus o	Forecasi M and yiel other off	or estimate d based on p kual estima	120pm prospectus ed annualis prospectus ates for 19	Plearmonth & Burchett Learno Property Trust S-ron Hearthcare Fibbett & Britten estimates of Assumed dividend and yie and official estimates for 1992-9 1. Estimated annualised dividend	abut year s eargings in 3. H Districting and piete communit ("= based on	Affied Trust Bank 97-10] Camon St. Long TREUNA (CZ DOLH) 19MRA (CZ DOLH) 0MRA (CZ DOLH) HIGA (CZ DOLH) HIGA (CZ DOLH)	Ltd	8751	6 701 071-626 7 76 7 23 6 91 5 75 6 59 9 49	- 0679 - - - -	Hand Lakery K
Forecast an	positised di	iridend, of	over and pi	e ratio bas	pro-polys or other official estimates sed on prospectus or other official est icing price it Reinstroduction & United Steorer ipm Price at a premium	imate. W Pro Forma	American Express Subset House Surgess Hilgs Performance Chen (500-1799) (1 000-64 999 15 000-19 999	ili kx15 9AQ pr Account 12 00		0444 23 2 02 5 64 5 90	2444 - -	

BANK OF	Dec i	18 Dec 11	Top accepted rate of discount Average rate of discount	6 3975 6 3875	9 Prc 11	Bank of Ireland High Interest Chaque Act 36-50 High St. Shough St. 1 IEL 0753 516516 10 000 + 525 3 94 535 - 62 000-64 999 . 500 3 75 510 -	Midland Bank plc P0 80x 2, Sheffield Exchanger Acc 15000+ 625 000+ 625 000+ 650 000+ 750 563 750 - TESSA 675 -
Foral allocated Minimum accepted bid Minimum at minimum level	100	65 E100m 65 E98 400 100°	Average pield Amount on offer at the tende Minimum accepted bid 182 d	1 £100n	0 696 790	Bank of Scotland 38 Threathredie St. EC2P ZEH 38 Liq to (2 500-(24 99) 5 64 4 23 5 79 - (25 000) 5 88 4 41 6 04 - Bank of Wales — Business Accounts	NatWest Crown Reserve Account 41 Lothbary, Leadon, EC2P 28P 0800 200 40 E50,000 +
ONDON Base rates day Interbank month Interbank reasory Bill Tender Band 1 Bills Band 2 Bills Band 3 Bills Band 4 Bills 3 Mith Treasory Bill 1 Mith Bank Brils 3 Mith Bank Brils	7 7 7 7 6.3075 6.3075	Unch d Unch d + 1 -0 0301 Unch d Unch d Unch d	NEW YORK Prime races Federal Funds 3 Mun Treasury Bills 6 Mth Treasury Bills 3 Mth CD FRANKFURT Lambard One milh Interbank Three month PARIS Intervention Rate	0ec 18 5 24 3 25 3 44 3 28 9 50 9 175 9 100	Unch d -0 0b -0 0b +0 01 Unch d +0 125 +0 175	Nimpsage Cardiff EF1 478	Nationwide Bidg Soc — Business Investor Business High Interest Cheque Account Pipers Way Swindow L. SNJB 1/mv 0800 33559 £2 000-£4,999 . 4 90 3 68 4 99 £5 000-£9,999 . 5 40 4 05 5 51 £10,000-£24,999 . 6 40 4 80 6 56 £25 000-£9,999 . 6 40 4 80 6 56 £50,000+ . 6 90 5 18 7.00 Portmans Bidg Soc Prestige Cheque Account Retarond Hill, Bournemouth, 8H2 6EP 0800 66366 £50,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+ . 7 35 5 51 7 35 £30,000+£19,999 . 6 25 4 69 6 25 £30,000-£19,999 . 6 25 3 19 4 25 £25,000-£9,999 . 7 35 3 25 2 44 3 25 £25,000-£9,999 . 3 25 2 44 3 25 £25,000-£9,000-£9,000 . 3 25 2 44 3 25 £25,000-£9,000 . 3 25 2 44 3 25 £25,000-£9,000 . 3 25 2 44 3 25 £25,000-£9,000 . 3 25 2 44 3 25 £25,000-£9,000 . 3 2
OKYO One month Three month RUSSELS One month Three month MSTERDAM One month Three month	313 313 9 87 ₄ 8 775 8.66	-10 -10 +10 +10 -0 1 -0 66	One mith Interbank Three month One month Three month DUBLIN One month Three month	124 11% 144 144 201:	*11 to	Brown Shipley & Co Etd Founders Court Lothbury, London EC2 071-606 9833 HICA 4.5 6.14 - Prof Demand Arc . 5 75 4.31 5 87 - Caledonian Bank Pic 8 St Andrew Square, Edjahurgh EH2 2PP 031 556 8235 HICA 16.5 4.875 - Cater Aften Ltd 25 Birchin Lane, London EC3V 9DJ 071-623 2070 HICA 5.50 4 13 5 64 - Corport £5 000 min . 6 375 4 76 6.57 - TESSA. 6 50 - 6 70 -	Provincial Bank PLC 30 Ashley Rd. Attriction. Cheshire H C.A. (£1,000+). 5 50 4 13 5 64 - Royal Bank of Scotland pic Premium Acc 42 5t Andrew Sq. Edinburgh EH2 ZYE 031-228 565 £50,000+ 6 00 4 50 6 14 - £25,000-£49,999 5 60 4 20 5.72 - £10,000-£24,999 5 60 3.75 5 09 - £10,000-£24,999 3 50 3.75 5 09 - £2,000-£4,999 3 50 2.63 3 55 - £2,000-£4,999 3 50 2.63 3 55 - £2,000-£4,999 3 50 2.63 3 55 - £2,000-£4,999 3 50 2.63 3 55 - £2,000-£4,999 3 50 2.63 3 55 - £3,000-£4,999 3 50 2.63 3 55 - £3,000-£4,999 3 50 5 65 - £3,000-£4,999 5 50 4 13 5 65 - £3,000-£4,999 5 50 5 75 - £3,000-£4,999 5 50 5 75 - £3,000-£4,999 5 50 5 75 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 50 5 65 - £3,000-£4,999 5 60 6 10 6 10 £3,000-£4,999 5 60 6 10 6 10 £3,000-£4,999 5 60 6 10 6 10 £3,000-£4,999 5 60 6 10 £3,000-£4,999 5 60 6 10 £3,000-£4,999 5 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999 6 60 6 10 £3,000-£4,999

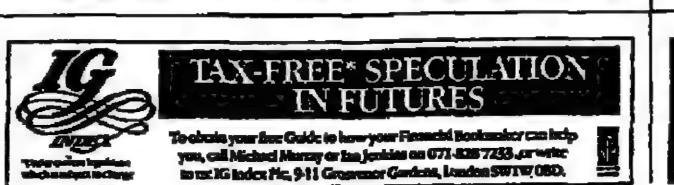
BAS	SE LENDING RA	TES
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Adam & Company 7	Cyprus Popular Benk7	Mount Benking7
Allied Trust Bank 7	Duncan Lawrie 7	NarWestminster 7
AHB Bank 7	Squatoriel Bank pic 7	Northern Bank Ltd., 7
Henry Ansbacher 7	Stater Bank Limited 8	Nykredii Mortgage Brik 7 5
B & C Merchant Bank _ 13	Financial & Gen Bank 7	ORea Brothers 7
Bank of Baroda 7	●Robert Fleming & Co7	Rootsurghe Bank Ltd., 9
Sanco Bilber Visceya 7	Girobank	Floyel Bh of Scottang 7
Bank of Cyprus 7	•Guinness Mahon 7	Smith & Williamsn Secs. 7
Benk of Ireland	Habib Bank AG Zunch?	Standard Chartered 7
Bank of India 7	Chlambros Bank	7\$B 7
Bank of Scotland7	Hampshire Trust Pic 13.5	Unibank plc
Borclays Bank	Nartable & Gen Inv Blc 7	OUnited Bis of Kuwalt 7
Brit Bik of Mid East 7	OHE Samuel7	Unity Trust Bank Pic 7
Brown Shipley 7	C. Hoare & Co	Western Trust
CL Bank Nederland7	Hongkong & Shanghai 7	Whitesway Laidlew 7
Cibbank NA7	Julian Hodge Bank 7	Yorkshire Bank 7
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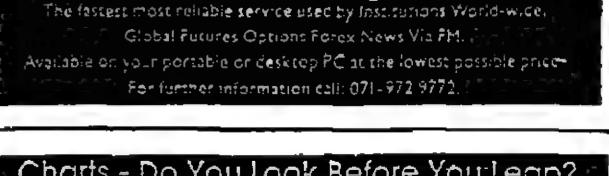
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72 78 84 33 25 43 94 50	FOREIGN EXCHANGE SERVICE SERVICE 162 Queen Victoria Street London EC4V 4BS 24 HOURS Tel: 071-329 3030 Fax: 071-329 3918	Objective analysis & strategies for the professional investor. Trend Analysis Ltd Flennes House, 32 Southgate Street Winchester, Hants 5023 5EH Fax 0424 774067 SFA member Tel 0952 879764
00 90 23 08 88 51 59 18	SATQUOTE REAL-TIME NEWS VIA SATELLITE * AFP-EXTEL * PR. NEWS * MARKET NEWS * * FUTURES WORLD NEWS * CALL - L'ONDON 071-329 3377 / FRANKFURT 69 638 021	FUTURES & BERKELEY FUTURES LIMITED OPTIONS IS PARK ROAD, REGENTS PARK. LONDON, NW1 6XM, ENGLAND TEL: 071-224 8489 FAX: 071-224 8275

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Questcorp



26 LONDON SHARE SERVICE	FINANCIAL TIMES MONDAY DECEMBER 21 1992
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MONDAY INTERVIEW

Rocket man flies new path

Leonid Kuchma, Ukrainian prime minister, speaks to Chrystia Freeland

recently appointed Ukrainian prime minister, late one evening in his dark, wood-panelled office. one were to try to recreate the old system it would lead to a complete catastrophe."

Mr Kuchma is the first Ukrainian prime minster to stress the virtues of the free market, and is steering a package of radical decrees through the government which could finally begin the painful process of building a new economic system.

Yet the driving force behind Ukraine's reforms is not a smooth graduate of western universities. Instead, as the former director of Juzhmash. the world's largest rocket factory, Mr Kuchma is a product of the powerful, tightly controlled Soviet weapons indus-

One clue to Mr Kuchma's remarkable transformation from missile maker to market builder may lie in his rural roots. As a peasant's son growing up in central Ukraine, he was surrounded by the dispossessed kuiaks, the once-prosperous peasants who made their nation the bread basket of Europe. Sixty years ago Joseph Stalin starved 6m of these stubborn and independent farmers before he succeeded in his drive to impose agricultural collectivisation in Ukraine. But in the person of Mr Kuchma, the kulaks may have the last laugh.

Does he want to rebuild the Ukrainian kulak elass? "Yes, absolutely. They were the people who wanted to work and knew how to work. We must create conditions so that a man can earn money honestly and now not be afraid of

earning money." Mr Kuchma

says. "Above all, we must rely on a new class of small property owners." In many ways, Mr Kuchma thinks like his frugal, hardworking forefathers. His conversion to the market does not stem from any theory of capitalism but rather from a blunt assessment of the bottom line. In Mr Kuchma's view, Ukraine

simply cannot afford not to reform "Soon we will become cannibals and begin to eat ourselves," he says of Ukraine's

disastrous public finances.

"Our national income is falling, yet public expenditure is rising catastrophically. Every-one must understand that we have no way out of this crisis

This realisation was singularly lost on Mr Vitold Fokin the former head of central planning in Ukraine whom Mr Kuchma replaced as prime minister in October. Under Mr Fokin's stewardship the government issued more than Rbs900bn in cheap credits to the state sector, driving the budget deficit to more than 40 per cent of gross national product and pushing inflation to a monthly rate of more than 30 per cent in 1992.

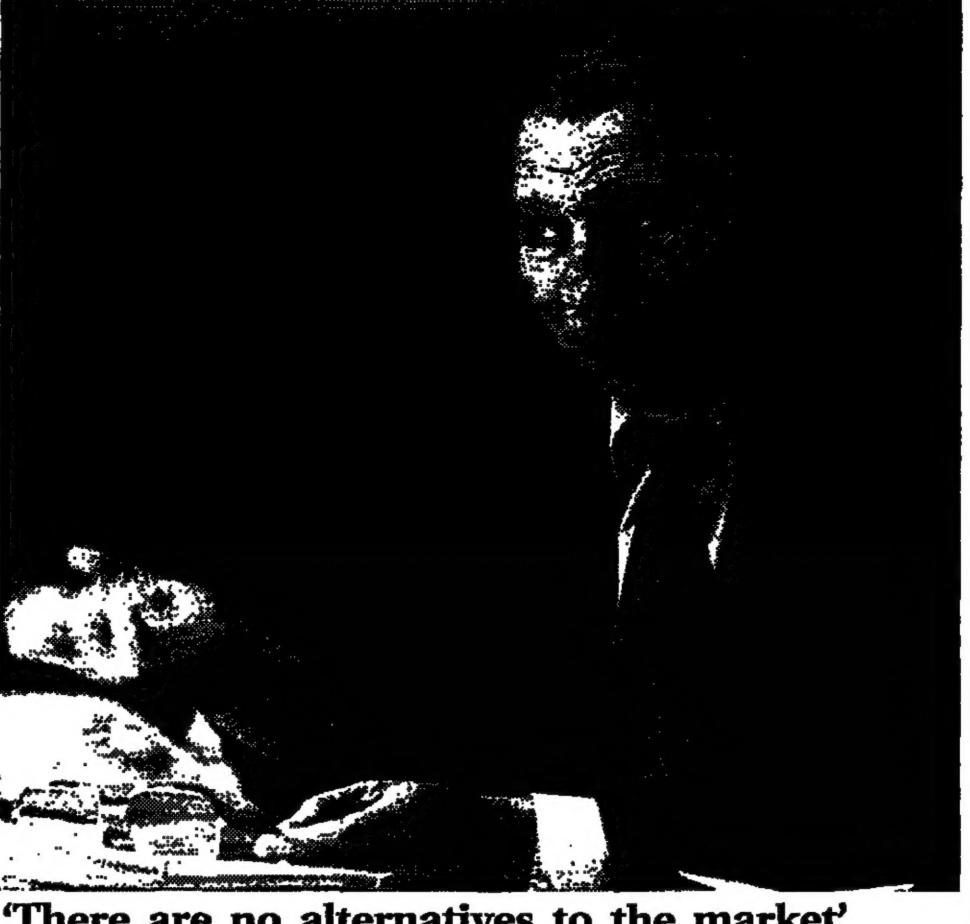
Mr Kuchma's goal is to bring Inflation down to an annual 5 to 6 per cent by the end of 1993. To do that he and Mr Viktor Pinzenyk, the minister of the economy and architect of Ukraine's reforms, are piecing together a programme which aims to combine stabilisation with economic restructuring.

To stabilise the economy Mr Kuchma is pushing through several government decrees. He intends to liberalise most prices and to stop the practice of financing the budget deficit by printing money, and thus bring the deficit down to 9 per cent of GNP in 1993. He wants to restrict credit to the state sector and bring interest rates closer in line with inflation. A decree would also curb welfare payments by targeting the country's most needy groups.

"We understand perfectly well that you can do anything you like with financial policies alone," Mr Kuchma says. "But if the economy does not begin to work from below, if the enterprises do not begin to work, then that will not ever vield any real results."

Mr Kuchma is pushing for rapid privatisation at all levels. including a decree which, for the first time in Ukraine, will introduce full private ownership over a portion of agricultural land. The government is calling for "forced" privatisation of the retail and service sector and is backing an International Finance Corporation pilot privatisation programme in the western Ukrainian city of Lviv.

At a slower pace. Mr Kuchma also wants to privatise Ukraine's state enterprises and plans to convert them into joint stock companies as an initial step. The cabinet has already revoked a leasing



'There are no alternatives to the market'

scheme - through which workers could lease their enterprises for a token fee which allowed industrial collectives, often in co-operation with managers, to block privatisation.

In the past, Ukraine's nascent private sector has been smothered by an onerous taxation system under which taxes could exceed 100 per cent of profits. Government decrees bringing the tax on profits down to 30 per cent and val-

PERSONAL FILE

1938 Born in the village of Chaikino, Chernihiv

1960 Graduated from Dnipropetrovsk State University with a degree in engineering mechanics. 1960 Takes first job as engineer at luzhmash, a mis-

Onipropetrovsk. 1975-82 Secretary of the Communist party committee

sile factory

at luzhmash. 1986 Appointed director of uzhmash. 1990 Elected to the Ukrainian

parliament from the city of Dnipropetrovsk. Oct 1992 Ratified by parliament as prime minister.

ue-added tax down to 20 per cent are currently before the cabinet.

Will the departure of Russia's leading reformer, Mr Yegor Gaidar, put the brakes on Ukrainian plans? Not in Mr Kuchma's view.

He has made it a priority to seek an economic rapprochement with Russia, his main concern being to restore trade links with Ukraine's most important partner and to negotiate favourable prices for the Russian oil on which Ukraine is dependent.

But despite Russia's importance for Ukrainian trade. Mr Ruchma is confident that Ukraine can pursue an independent economic course. He is also convinced that Ukraine must launch its reforms before receiving significant aid from the west.

"We must hope that when our economy begins to stabilise the west will then believe that Ukraine is serious about reform." Mr Kuchma says. He believes that before wooing the west he must first win over his own people.

He has launched a campaign to convince Ukrainians "that what we want for them is good and not bad, and that there is no other way out of the crisis". He says he will seek a social contract with all Ukrainian political parties and trade unions which would place a moratorium on demonstrations and strikes in the inevitably contentious first months of reform.

Yet Mr Kuchma is also aware that the strongest opposition to reform is likely to be not on the streets of Kiev but in the intimidating, granite buildings which house the government.

In the short term, parlia-

ment, which has restricted its own right to pass economic legislation and granted Mr Kuchma sweeping economic powers for the next six months, seems to be prepared to back the government. although Mr Kuchma fears this honeymoon will be short-lived. Mr Leonid Kravchuk, the president, could pose a more immediate threat and one which Mr Kuchma has delicately sought to neutralise. Mr Kravchuk fought Mr Kuchma's candidacy and appears to resent his growing power. Mr Kuchma has held out a co-oper-

ative hand in response. At the moment, the prime minister's fiercest opposition comes from a third force.

potentially more dangerous than the president or parlia ment. Known colloquially as the mafia, this powerful group straddles the government and private sectors. Mr Kuchma describes it as "a social class

which is parasitic on the very

sick economic body of

Ukraine". Having launched his premiership with a tough anti-corruption campaign, Mr Kuchma shrugs off Kiev rumours that the mafla poses a direct threat to his life. The round-faced, diminutive man who made his career building missiles seems undaunted both by warnings about the mafia and the prospect of populist opposition to his reforms.

"This is an elementary battle for power, that is clear and understandable. But the reform process has already begun and I think that it cannot be reversed," Mr Kuchma says. "After all, today, in the Ukrainian budget we have nothing apart from a gaping

Risk and reward in foreign policy

he ground rules of US foreign policy were once readily grasped. In military terms, the constant Soviet threat made the world bipolar and dangerous. The Pentagon could never relax. Economically, however, the world was unipolar. The US felt secure because no nation came anywhere near challenging its industrial or financial muscle.

As Mr Bill Clinton prepares to assume the presidency, these polarities have reversed. With the collapse of Soviet communism, the US is unchallenged as the world's sole military superpower. Yet the grow-ing industrial strength of Europe and Japan (and soon, perhaps, China) has created a tense, multipolar economic world in which the main players seem unable to conclude even the relatively unambitious Uruguay Round trade talks. This radical reshaping of the foreign policy landscape creates great opportunities for Mr Clinton, but also serious

The heartwarming presence of US troops in Somalia is the most potent illustration of the opportunities lying ahead. For the first time in recent US history (perhaps ever), a sizeable military intervention overseas was justified on purely moral grounds: troops were committed not in defence of US national interests, or to influence the strategic balance of power in Africa, but simply to help combat starvation.

This kind of intervention has

always been favoured by a small cadre of foreign policy idealists, sometimes dubbed "neo-Wilsonians" after Woodrow Wilson, the president who tried but failed to persuade the US to underpin an ethical world order after the 1914-18 war. But in recent decades, the cold war played into the hands of the opposing school of "balance of power" realists. In the fight to contain communism. the argument went, the US had to put its strategic interests first. It thus propped up a stream of despots from the Shah of Iran to Ferdinand Marcos in the Philippines.



MICHAEL PROWSE **AMERICA**

However, with the cold war over and US military strength unchallenged, there is no good reason why idealism should not play a larger role in foreign policy. There is no longer any excuse for coddling tyrants or making deals with foreign powers that are inconsistent with US domestic values. Indeed, the domestic enthusi-

asm for the intervention in Somalia suggests that, in the absence of the communist threat, the most reliable way to sustain public support for large military expenditures may be to base foreign policy on values the public holds dear. In today's changed world. Mr Clinton is thus being a realist. as much as an idealist, in pledging to make the promotion of democracy and human rights the guiding principles for overseas interventions.

The risks ahead mainly reflect the tensions resulting from the US's relative economic decline. This has led a vociferous band of "economic nationalists" to argue that the US should abandon the broadly laissez-faire doctrines of the last four decades and "put the interests of its own industries first". The general idea is that the US public sector should join the battle for global commercial supremacy by heavily subsidising strategic industries, pouring huge sums into commercial research and development and retaliating unilaterally against nations that Washington deems guilty of unfair trading practices.

The degree to which Mr Clinton buys these arguments is uncertain. During the campaign he talked ominously of "mobilising" the nation for

global economic competition. He has since fulfilled his promise to create a new White House economic security coun-cil (aithough the word security was wisely dropped from its title.) And he has nominated Ms Laura Tyson of the University of California as chair of his Council of Economic Advisers. Ms Tyson is sceptical of free market economics and advocates an aggressive indus-trial policy, involving subsidies for high-technology sectors. The economic nationalists

believe the US is in relative economic decline because it has lacked a national strategy. This is mostly a misreading of history. The whole point of the liberal international economic order created after the second world war was to create conditions in which Japan and Europe could stage a lasting industrial recovery. That recovery was inevitably going to mean relative decline for the US. But had the US tried to keep other countries poor, it would also be much poorer in

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absolute terms today. The liberal capitalist vision is of economic competition between individuals and companies, not of competition between nations per se. Small countries can flout the rules and become economic nationalists without endangering the larger liberal order. But if the US took this route, the results could be catastrophic. If the US started to subsidise strategic industries heavily and play God in trade disputes, Europe and Japan would feel obliged to follow suit. There is no obvious point at which such overt economic warfare would stop. It is easy to find flaws in free market policies. On any given

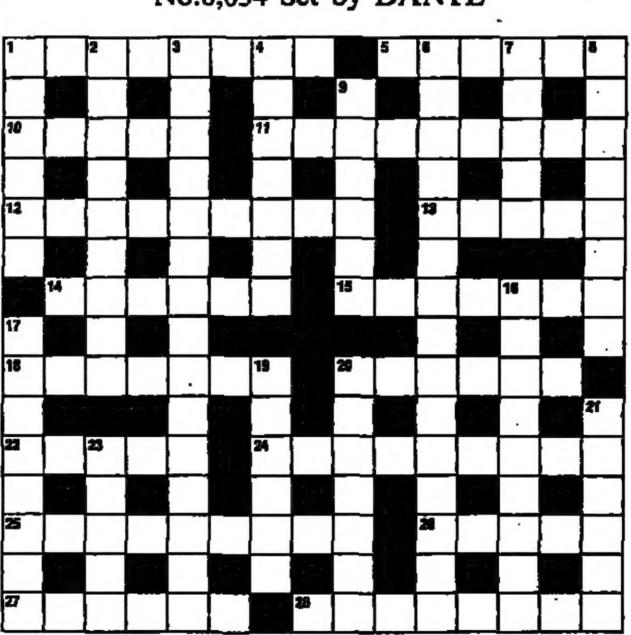
occasion interventions favouring US industries are likely to look superior. Over time, however, a global descent into economic nationalism would cause economic relations between nations to deteriorate. ultimately increasing the risk of military conflict. If Mr Clinton were to get his economics wrong he could ruin any chance of creating a new world forder based on densocracy and respect for human rights.

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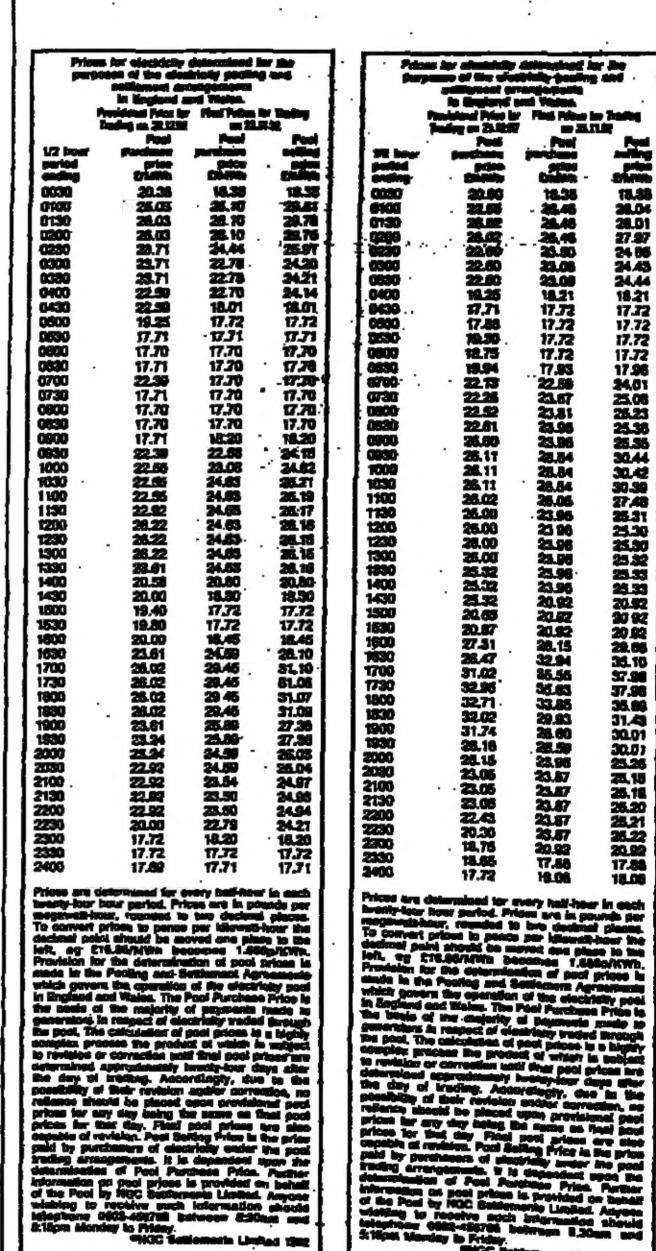
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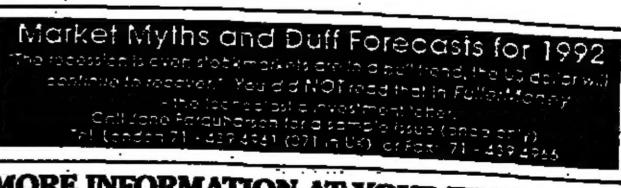
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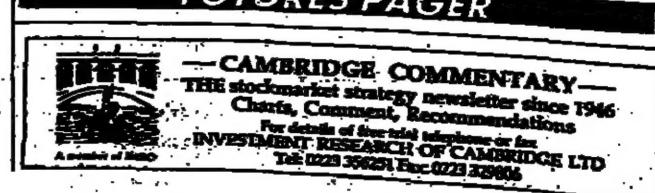
- 1 Spot a complicated clue but it's of little matter (8) 5 Song that's naughty - every-
- one joins in (6) 10 Odd number seen to be divided by five (5) 11 Over and over it goes! (5.4) 12 Vegetable makes Rita squirm and splutter (9)
- 13 The end of an extraordinary love-game (5) 14 The very thing is left out (6) 15 Fired with real reform and no exaggeration? (7) 18 I'd colic; ruptured appendix?
- 20 Pictures a mince pie (6) 22 Human being upset prophet 24 Hides from the kids (9)
- 25 Cannon to right and left of 23 Bound to be shifty (5) one, by decree (9) 26 Rumour I don't spread (2.3) name for either sex (6)
- 27 It's evenly distributed as a 28 A ventriloquist's rehearsal?
- 1 Islam's new religious book (6) 2 Spiritually uplifted (9) 3 Guilt-edged security? (10,5) 4 Leave one's pad, having to
- use the stairs? (4.3) 6 When it's rough, choice of wine is unimportant (3.4.2.1.5) 7 Nothing to do at this end (5) 8 Not free of tax but ideal other-
- wise (8) 9 Get a severe test for taking notes into examination (6) 16 Note to jog the memory about a balance (9)
- 17 Start of play (5,3) 19 The story of Achilles' heel? (6) 20 Cat is given water in French country house (7) 21 Could be it is an indigo compound (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 2.





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Common thread of reform

he separation of Prince Charles and Princess Diana, we are told, will have no constitutional consequences for the UK. Some people have found it difficult to believe these assurances, even though they have been pronounced with the greatest solemnity in the House of Commons by the prime minister. Indeed, it is difficult to believe something which is impossible, especially if (like Alice in Wonderland) one is out of practice in believing impossible things. We should just recall the first rule of British official doxology, that no part of the constitution (whatever that may be) can ever be changed, for fear that the whole of it should have to be changed immediately.

In other European countries people are less rigid about these things. As a matter of fact, constitutional reform is in the air in several European countries this Christmas, most notably in France, Germany and Italy. In each of these three countries the changes adopted or under discussion should improve the effectiveness of their parliamentary democracies.

It is not a coincidence that constitutional reform is now under way in these countries. Directly or indirectly, the common thread is Europe. France and Germany have reformed or are reforming their constitutions to adapt to the requirements of the Maastricht treaty. including achieving the objective of economic and monetary union (Emu). But in the process, they are also introducing extra changes which will strengthen the role of their national parliaments.



EUROPE

In addition, President Francois Mitterrand has also called for discussion of a second and quite separate set of constitutional reform proposals, along lines he first elaborated a year ago. Critics say that his main objective is to embarrass the opposition in the run-up to the March elections; yet his proposals should strengthen the role of the parliament and might reduce the overweaning role of the French president. The Italian context appears quite different. The heart of its problem is a system of political parties through which patronage and corruption have brought public finances to the verge of bankruptcy and the state to the edge of the abyes. The longstanding parliamentary monopoly of the dominant

Christian Democrats and their revolving coalition partners on the centre-left was deeply shaken in the April general elections. Soon afterwards, the feudal powers of the parties were severely weakened by judicial revelations of wholesale corruption. The power of the Lombard League party. which denounces the decadence of the traditional political establishment and challenges the integrity of the

Italian state, is growing fast. It may be thought that Italy's political bosses had it coming to them, sooner or later. Yet the European nexus has also played its part. The most consistent consensus in Italy is on the central importance of the EC. If Prime Minister Giuliano Amato is managing to make heroic cuts in the budget deficit, it is partly because failure to do so would keep Italy out of Emu.

reform plan is finally hammered out, it will probably include limits on proportional representation in an effort to stem political fragmentation, as well as reform of parliamentary rules to strengthen goverument decision-making. But the most interesting idea under discussion would be a move towards a more federal system. in which the competences of the national state would be explicitly defined, and the regions would be given taxation powers to run everything

When the constitutional

In France and Germany, the the pressure to ratify the Maastricht treaty as a lever to seize more powers for themselves. The French government will be required to table proposals for EC legislation, on which the National Assembly and the Senate would be able to pass resolutions. The Senate has also secured a veto over the granting of votes to EC citizens in French local elections.

The German parliament has laid down that any move towards European union must secure a two-thirds majority in both the Bundestag and the Bundesrat. The European committee of the Bundestag will

have to be consulted on all proposals for Community legislation; and the Bundesrat has gone even further than the French Senate, by securing the right to be consulted whenever the provincial responsibilities of the lander are affected Finally, the Bundestag can stop any move to a single European currency if the house is not satisfied that the treaty conditions have been

In France, public comment (and private mockery) have focused on President Mitterrand's proposals to shorten the presidential term, which is currently seven years. In the event, however, he has timidly suggested a six-year term, which will change little. More interesting is a proposal to spell out explicitly the respective policy responsibilities of the president and the government, which should limit the temptations for the president to behave like an absolute

The European thread in all these reforms is clear. The Maastricht model for the next phase of European integration would require unprecedented assent from Europe's voters. The French and Danish referenda, and polls in other countries, show that popular support is either lacking or ambivalent. Most parliaments have manifestly fallen short, or have not been allowed to act. as the interface between the Community and the electorate. If there is a democratic deficit, it cannot be filled by the European Parliament. Therefore the national parliaments must play a bigger role in providing polit-

ical legitimacy. And about time